SIFY TECHNOLOGIES LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(In thousands of Rupees, except share, per share data and as stated otherwise)

1. Reporting entity

Sify Technologies Limited, ('Sify' or 'the Company') formerly known as Sify Limited, is a leading internet services provider headquartered in Chennai, India. These Unaudited Condensed Consolidated Interim Financial Statements as at and for the three months ended June 30, 2009 comprise the Company and its subsidiaries (Sify Software Limited and Sify International Inc) (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in MF Global Sify Securities India Private Limited, an equity accounted investee. The Group is primarily involved in providing services, such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content offerings and in selling hardware and software related to such services. Sify is listed in the NASDAQ Global market in the United States.

2. Basis of preparation

a. Statement of compliance

The Unaudited Condensed Consolidated Interim Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended March 31, 2009.

These Unaudited Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on March 31, 2010.

b. Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Indian rupee is the functional currency of Sify, its domestic subsidiaries and affiliates. US dollar is the functional currency of Sify's foreign subsidiary located in the US.

The Unaudited Condensed Consolidated Interim Financial Statements are presented in Indian Rupees which is the Group's presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest thousand except where otherwise indicated.

Convenience translation: Solely for the convenience of the reader, the financial statements as of and for the three months ended June 30, 2009 have been translated into United States dollars (neither the presentation currency nor the functional currency) based on the reference rate in the City of Mumbai on June 30, 2009, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs.47.87 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollar at such a rate or at any other rate on June 30, 2009 or at any other date.

c. Use of estimates and judgements

The preparation of these Unaudited Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the period. Accounting estimates could change from period to period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of change and future periods, if the change affects both and, if material, their effects are disclosed in the notes to the financial statements.

In preparing the Unaudited Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimating uncertainties were the same as that were applied to the consolidated financial statements as at and for the year ended March 31, 2009.

d. Correction of an error in the unaudited condensed consolidated interim statement of cash flows for the three months ended June 30, 2008.

Certain amounts previously reported in the unaudited condensed consolidated interim statement of cash flow for the three months ended June 30, 2008 and furnished in form 6-K have been corrected in preparing the comparative unaudited condensed consolidated statement of cash flow for the three months period ended June 30, 2009 included in these unaudited condensed consolidated financial statements. Specifically, advance and deposit paid to VALS Developers Private Limited aggregating Rs.282,825 towards property lease was incorrectly included in acquisition of property, plant and equipment in the statement of cash flows instead of change in other assets. This reclassification error resulted in overstatement of net cash used in investing activities and understatement of net cash used in operating activities aggregating Rs.282,825. This reclassification error has been corrected in the statement of cash flows for the three months period ended June 30, 2008.

3. Significant accounting policies

The accounting policies applied by the group in these Unaudited Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended March 31 2009, except for new accounting policies adopted by the Group as described below.

(i) ***Presentation of financial statements:*** The Group has applied revised *IAS 1 Presentation of Financial Statements (2007)*, which has became effective as of April 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Furthermore, the Group has included two statements to display all items of income and expense recognized during the period i.e., a 'Statement of Income' and a 'Statement of Comprehensive Income'. This presentation has been applied in these Unaudited Condensed Consolidated Interim Financial Statements as of and for the three months ended June 30, 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings/loss per share.

(ii) ***Revenue recognition from construction contracts:*** Upto the periods ended March 31, 2009, the Company did not derive any revenues from construction contracts. During the quarter ended June 30, 2009, the Company started generating revenues from a construction contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

4. Recent accounting pronouncements

a) Standards early adopted by the Company

- *IFRS 8 'Operating Segments'* introduces the 'management approach' to segment reporting, whereby segment reporting is based on internal management reporting and replaces IAS 14. IFRS 8 aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information." The standard is applicable for periods beginning on or after January 1, 2009. Sify early adopted IFRS 8 beginning the year ended March 31, 2008 and has made disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The application of this standard did not result in any significant change in the Group's segmental disclosures.

- *IFRS 3 (Revised), Business Combinations,* as amended, is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the Group as at April 1, 2009. Business Combinations consummated after April 1, 2009 will be recorded under this standard. IFRS 3 (Revised) primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with IAS 39. Consideration, after this amendment, will include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be carried out through net profit in the statement of comprehensive income. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest (NCI) in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method will result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach will require recording goodwill on NCI as well as on the acquired controlling interest. Business combinations consummated in the future would be impacted by the revised standard.

IAS 27, as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided IFRS 3 (Revised) is also early adopted. This standard was early adopted by the Company as at April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Additionally purchase of some or all of the non-controlling interests is treated as treasury transaction and accounted for in equity and a partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed off and a further holding gain is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute their share of net profit / loss and reserves to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Consistent with the provisions of IFRS 3 (Revised), the Group accounted for its acquisition of 26% non-controlling interest in Sify Communications Limited on June 26, 2009 as an equity transaction (Also refer to Note 21).

b) Recently adopted accounting pronouncements

- The Company adopted *IAS 1 (revised), "Presentation of Financial Statements"*, effective April 1, 2009. The revision aims to improve users' ability to analyze and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revisions include non-mandatory changes in the titles of some of the financial statements to reflect their function more clearly (for example, the balance sheet is renamed as statement of financial position). The revised IAS 1 resulted in consequential amendments to other standards and interpretations.

c) Standards issued but not yet effective

- *IFRIC 18 – 'Transfer of assets from customers'* defines the treatment for property, plant and equipment transferred by customers to companies or for cash received to be invested in property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to both. The item of property, plant and equipment is to be initially recognized by the Company at fair value with a corresponding credit to revenue. If an ongoing service is identified as a part of the agreement, the period over which revenue will be recognized for that service would be determined by the terms of the agreement with the customer. If the period is not clearly defined, then revenue should be recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service. This interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. Earlier application is permitted provided the valuation and other information needed to apply the information to past transfers were obtained at the time the transfers occurred. The Company would prospectively adopt this interpretation for all assets transferred after July 1, 2009. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

- Improvements to IFRS- In April 2009, the IASB issued "Improvements to IFRSs" — a collection of amendments to twelve International Financial Reporting Standards — as part of its program of annual improvements to its standards, which is intended to make necessary, but non-urgent, amendments to standards that will not be included as part of another major project. The latest amendments were included in exposure drafts of proposed amendments to IFRS published in October 2007, August 2008, and January 2009. The amendments resulting from this standard are mainly applicable for fiscal beginning from April 1, 2010, although entities are permitted to adopt them earlier. The Company is evaluating the impact, these amendments will have on the Group's consolidated financial statements.

- In November 2009, the IASB issued IFRS 9, “Financial instruments”, to introduce certain new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications — those measured at amortized cost and those measured at fair value. The standard along with proposed expansion of IFRS 9 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable from the year 2013, although entities are permitted to adopt earlier. The Company is evaluating the impact which this new standard will have on the Company’s unaudited condensed consolidated interim financial statements.

5. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the three months ended June 30, 2009

	Cost				Accumulated depreciation				Carrying amount as at June 30, 2009
Particulars	**As at April 1, 2009**	**Additions**	**Disposals**	**As at June 30, 2009**	**As at April 1, 2009**	**Depreciation for the period**	**Deletions**	**As at June 30, 2009**	
Building	769,663	-	-	769,663	148,401	6,869	-	155,270	614,393
Plant and machinery	4,733,122	85,141	12,612	4,805,651	2,765,920	92,190	12,418	2,845,692	1,959,959
Computer equipment	497,223	7,713	51	504,885	367,972	15,797	22	383,747	121,138
Office equipment	162,132	10,505	14	172,623	96,955	5,550	14	102,491	70,132
Furniture and fittings	628,279	11,243	579	638,943	389,771	13,070	523	402,318	236,625
Vehicles	8,269	-	-	8,269	6,420	727	-	7,147	1,122
Total	**6,798,688**	**114,602**	**13,256**	**6,900,034**	**3,775,439**	**134,203**	**12,977**	**3,896,665**	**3,003,369**
Add: Construction - in- Progress									352,196
Total	**6,798,688**	**114,602**	**13,256**	**6,900,034**	**3,775,439**	**134,203**	**12,977**	**3,896,665**	**3,355,565**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2009

	Cost				Accumulated depreciation				Carrying amount as at March 31, 2009
Particulars	**As at April 01, 2008**	**Additions**	**Disposals**	**As at March 31, 2009**	**As at April 1, 2008**	**Depreciation for the year**	**Deletions**	**As at March 31, 2009**	
Building	769,663	-	-	769,663	120,924	27,477	-	148,401	621,262
Plant and machinery	3,683,632	1,097,317	47,827	4,733,122	2,526,445	286,805	47,330	2,765,920	1,967,202
Computer equipments	438,597	58,824	198	497,223	297,049	71,001	78	367,972	129,251
Office equipment	116,691	47,090	1,649	162,132	83,928	14,673	1,646	96,955	65,177
Furniture and fittings	422,939	208,486	3,146	628,279	339,750	52,720	2,699	389,771	238,508
Vehicles	9,174	-	905	8,269	3,846	2,981	407	6,420	1,849
Total	**5,440,696**	**1,411,717**	**53,725**	**6,798,688**	**3,371,942**	**455,657**	**52,160**	**3,775,439**	**3,023,249**
Add: Construction - in- Progress									237,665
Total	**5,440,696**	**1,411,717**	**53,725**	**6,798,688**	**3,371,942**	**455,657**	**52,160**	**3,775,439**	**3,260,914**

Leased assets

The Group's leased assets include certain buildings, plant and machinery and motor vehicles acquired under finance leases. As at June 30, 2009 the net carrying amount of buildings, plant and machinery and vehicles acquired under finance leases is Rs.258,428 (March 31, 2009: Rs.260,968), Rs. 140,511 (March 31, 2009: Rs. 145,304) and Rs.1,433 (March 31, 2009: Rs.2,l59) respectively.

Construction-in-progress

Amounts paid towards acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment that are not ready for use are disclosed under construction-in-progress.

6. Intangible assets

Intangible assets comprise the following:

	As at June 30, 2009	As at March 31, 2009
Goodwill	14,595	40,461
Other Intangibles	111,169	137,411
Total	**125,764**	**177,872**

In May 2006, the group acquired travel business for a consideration of USD 2.5 million (Rs. 112,220 thousands) in cash along with an option to purchase 125,000 shares of Sify Technologies Limited and certain earn out payments aggregating to USD 0.5 million (Rs. 22,444 thousands). The assets acquired consist of System software, customer contracts and goodwill. The said business operates from India and United States.

During the quarter ended June 30, 2009, triggered by certain adverse market conditions such as decrease in revenue and increase in the cost of services, and other technological matters, which are confirmed by other subsequent events, the group tested the carrying value of the above business for impairment. The recoverable amount of these intangibles including goodwill were determined based on the higher of the value in use (using discounted cash flow approach) and fair value less cost of sales. As a result of the above review, the group has recorded an impairment of the above intangibles including goodwill amounting to Rs 47,269 ($987) and adjusted the carrying value of these intangibles accordingly. The above impairment relates to online portal services segment.

The following table presents the changes in goodwill during the three months ended June 30, 2009 and the year ended March 31, 2009

(i) Goodwill

Particulars	As at June 30, 2009	As at March 31, 2009
Balance at the beginning of the period / year	40,461	50,796
Effect of exchange rate fluctuation	(2,483)	4,865
Less: Impairment loss	(23,383)	(15,200)
Net carrying amount of goodwill	**14,595**	**40,461**

During the quarter ended June 30, 2009, the group has impaired goodwill relating to its travel business to the extent of Rs. 23,383. The amount of goodwill as at June 30, 2009 and March 31, 2009 has been allocated to Online Portals Segment.

(ii) Other Intangibles

The following table presents the changes in other intangible assets for the three months ended June 30, 2009 and year ended March 31, 2009.

	Technical know-how	Portals and web content	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2009	**82,753**	**52,730**	**200,570**	**319,215**	**50,000**	**705,268**
Other acquisitions	-	-	-	10,712	-	10,712
Deletions	-	52,730	-	-	-	52,730
Balance as at June 30, 2009	**82,753**	**-**	**200,570**	**329,927**	**50,000**	**663,250**
(B) Amortization / Impairment						
Balance as at April 1, 2009	**82,753**	**52,730**	**169,847**	**256,621**	**5,906**	**567,857**
Amortization for the period	-	-	3,634	8,809	625	13,068
Impairment loss on assets	-	-	22,148	1,738		23,886
Deletions	-	52,730	-	-	-	52,730
Balance as at June 30, 2009	**82,753**	**-**	**195,629**	**267,168**	**6,531**	**552,081**
(C) Carrying amounts as at June 30, 2009	**-**	**-**	**4,941**	**62,759**	**43,469**	**111,169**

	Technical know-how	Portals and web content	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2008	**82,753**	**52,730**	**199,554**	**271,116**	**50,000**	**656,153**
Other acquisitions	-	-	1,016	48,099	-	49,115
Balance as at March 31, 2009	**82,753**	**52,730**	**200,570**	**319,215**	**50,000**	**705,268**
(B) Amortization / Impairment						
Balance as at April 1, 2008	**82,753**	**52,730**	**149,926**	**235,827**	**3,406**	**524,642**
Amortization for the period	-	-	19,921	20,794	2,500	43,215
Balance as at March 31, 2009	**82,753**	**52,730**	**169,847**	**256,621**	**5,906**	**567,857**
(C) Carrying amounts as at March 31, 2009	**-**	**-**	**30,723**	**62,594**	**44,094**	**137,411**

During the quarter ended June 30, 2009, the group has impaired intangible assets relating to its travel business to the extent of Rs 23,886. The above impairment loss related to Online Portals Segment.

7. Investments in associates

In March 2006, MF Global Overseas Limited (MFG), a group incorporated in United Kingdom acquired 70.15% of equity share capital of MF Global Sify Securities India Private Limited, formerly Man Financial-Sify Securities India Private Limited (‘MF Global) from Refco Group Inc., USA (‘Refco’). As at June 30, 2009 and March 31, 2009, 29.85% of MF Global equity shares is held by the Company. The remaining 70.15% is owned by MFG, an unrelated third party. MFG is a subsidiary of MF Global Holdings Limited, Bermuda.

A summary of key unaudited financial information of MF Global and its subsidiaries which is not adjusted for the percentage ownership held by the Group is presented below:

Statement of Financial Position	**As at June 30, 2009**	**As at March 31, 2009**
Total assets	4,292,662	3,435,921
Total liabilities	2,418,269	1,617,159
Shareholders' equity	1,874,393	1,818,762
Total liabilities and shareholders' equity	4,292,662	3,435,921

Statement of Income	**Three months ended**	
	June 30, 2009	**June 30, 2008**
Revenues	400,587	397,437
Net Profit	53,376	42,913

Sify has not agreed to certain recorded cross charges in the nature of corporate expenses amounting to Rs.10,871 thousands ($ 227,000) made by MF Global Holdings Limited (formerly known as MF Global Limited) (majority beneficial shareholder) and certain entities in the same group as MF Global Holdings Limited to MF Global for the three months ended June 30, 2009. Consequently, the condensed consolidated interim financial statements of MF Global for the period ended June 30, 2009 was approved by the Board of Directors of MF Global subject to the above matter under dispute. The auditors of MF Global have modified their review report issued on the condensed consolidated interim financial statements of MF Global for period ended June 30, 2009 in connection with such recorded cross charges. Sify is in the process of settling this matter in accordance with the terms of the Shareholders' Agreement between MFG and Sify. Pending resolution of the above matter, the equity method accounting and disclosures relating to Sify's investment in MF Global are accounted and disclosed in the Company's financial statements based on the condensed consolidated interim financial statements of MF Global which includes the impact of cross charges recorded of Rs.10,871 thousands or $227,000 (Sify's share net of taxes would be Rs.2,142 thousands or $45,000) for the three months ended June 30, 2009, made by MF Global Holdings Limited to MF Global.

8. Cash and cash equivalents

Cash and cash equivalents as at June 30, 2009 amounted to Rs.255,073 (Rs.380,042 as at March 31, 2009). This excludes cash-restricted of Rs.245,020 as at June 30, 2009 (Rs.1,330,756 as at March 31, 2009), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

(a) Restricted cash

	As at June 30, 2009	**As at March 31, 2009**	**As at June 30, 2008**	**As at March 31, 2008**
Non current				
Against future performance obligation	-	1,000	1,000	1,000
Current				
Bank deposits held under lien against borrowings from banks	245,020	1,329,756	955,000	877,582
Total restricted cash	**245,020**	**1,330,756**	**956,000**	**878,582**
(b) Non restricted cash				
Current				
Cash and bank balances	**255,073**	**380,042**	**652,363**	**628,745**
Total cash (a+b)	**500,093**	**1,710,798**	**1,608,363**	**1,507,327**
Bank overdraft used for cash management purposes	(751,928)	(1,397,083)	(833,003)	(617,637)
Less:- Non current restricted cash	-	(1,000)	(1,000)	(1,000)

Cash and cash equivalents for the statement of cash flows	**(251,835)**	**312,715**	**774,360**	**888,690**

9. Lease prepayments

	As at June 30, 2009	**As at March 31, 2009**
Towards buildings	341,962	311,185
	341,962	**311,185**

Prepayments made towards buildings accounted for as operating leases are amortised over the lease term on a straight line basis. In case prepayments are made towards building accounted as for as finance leases, such prepayments are capitalized as 'Leasehold Buildings' (included in buildings) on the commencement of the lease term under the head 'Property, plant and equipment' and depreciated in accordance with the depreciation policy for similar owned assets.

10. Trade and other receivables

Trade and other receivables comprise:

	As at June 30, 2009	**As at March 31, 2009**
(i) Trade receivables, net	1,716,700	1,504,927
(ii) Other receivables including deposits	1,184,958	950,599
	2,901,658	**2,455,526**

Trade receivables as at June 30, 2009 and March 31, 2009 are stated net of allowance for doubtful receivables. The Group maintains an allowance for doubtful receivables based on its age and collectability. Trade receivables are not collateralised except to the extent of refundable deposits received from cybercafé franchisees and from cable television operators. Trade receivables consist of:

	As at June 30, 2009	**As at March 31, 2009**
Trade receivables from related parties	-	698
Due from customers	1,846,229	1,620,524
	1,846,229	**1,621,222**
Less: Allowance for doubtful receivables	(129,529)	(116,295)
Balance at the end of the period	**1,716,700**	**1,504,927**

The activity in the allowance for doubtful accounts receivable is given below:

	Three months ended June 30, 2009	**Year ended March 31, 2009**
Balance at the beginning of the period	116,295	83,316
Add : Additional provision	25,915	84,346
Less : Bad debts written off	(12,681)	(51,367)
Balance at the end of the period	**129,529**	**116,295**

11. Employee benefits

	As at June 30, 2009	As at March 31, 2009
Gratuity payable	24,680	15,082
Compensated absences	52,141	49,218
	76,821	**64,300**

Gratuity cost

The components of gratuity cost recognized in the income statement for the three months ended June 30, 2009 and 2008 consists of the following:

	Three months ended June 30, 2009	Three months ended June 30, 2008
Service cost	3,624	3,017
Interest cost	1,125	759
Expected returns on plan assets	(741)	(418)
Net gratuity costs recognized in statement of income	**4,008**	**3,358**

Details of employee benefit obligations and plan assets are as follows:

	June 30, 2009	March 31, 2009
Present value of projected benefit obligation at the end of the period / year	50,834	43,389
Funded status of the plans	(26,154)	(28,307)
Liability recognized in the statement of financial position	**24,680**	**15,082**

The following table set out the status of the gratuity plan:

Change in projected benefit obligation	June 30, 2009	March 31, 2009
Projected benefit obligation at the beginning of the period / year	43,389	27,332
Service cost	3,624	12,067
Interest cost	1,125	3,038
Actuarial (gain)/ loss	3,667	3,662
Benefits paid	(971)	(2,710)
Projected benefit obligation at the end of the period / year	**50,834**	**43,389**
Change in plan assets		
Fair value of plan assets at the beginning of the period / year	28,307	18,740
Expected return on plan assets	741	1,672
Actuarial gain / (loss)	(1,923)	(684)
Employer contributions	-	11,290
Benefits paid	(971)	(2,711)
Fair value of plan assets at the end of the period / year	**26,154**	**28,307**

Actuarial Assumptions at reporting date:

	As at June 30, 2009	As at March 31, 2009

Discount rate	6.90% p.a	7.95% p.a
Long-term rate of compensation increase	8.00% p.a	8.00% p.a
Rate of return on plan assets	8.00% p.a	8.00% p.a

The Group assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Actuarial gains and losses recognised in other comprehensive income

The amount of actuarial gains and losses recognized directly in other comprehensive income for the three months ended June 30, 2009 and 2008 are as follows:

	Three months ended June 30, 2009	**Three months ended June 30, 2008**
Actuarial gain / (loss)	(5,590)	(3,618)
	(5,590)	**(3,618)**

12. Borrowings

	June 30, 2009	**March 31, 2009**
Current		
Loan secured against fixed deposits from banks	-	310,000
Term loans from banks (Refer note 1 below)	413,334	331,944
Other working capital facilities from banks (Refer note 2 below)	529,666	540,826
Loan from other financial institutions	9,715	-
	952,715	**1,182,770**
Non current		
Term loans from banks	168,503	201,389
Loan from other financial institutions	34,745	-
	203,248	**201,389**

The Group has short term borrowings which include:

1. Term loans from banks are secured by fixed deposits and moveable fixed assets of the Group. These loans bear interest ranging from 9.50% to 13.50% p.a. Term loan includes a balance of Rs.233,333 outstanding as at 30 June 2009 (Rs.283,333 as at March 31, 2009) which is subject to put/call option every six months. The Company has not met certain financial covenants relating to the said loan. Subsequent to the balance sheet date, the company has repaid the said loan.

2. Other working capital facilities are secured by certain current assets, fixed deposits and trade receivables of the Company, bear interest ranging from 11% to 13% p.a. and are subject to an annual renewal.

13. Revenue

	Three months ended	
	June 30, 2009	**June 30, 2008**
Rendering of services		
Service revenue	1,323,446	1,291,839
Initial franchise fee	5,329	8,173
Installation service revenue	81,236	54,755
	1,410,011	**1,354,767**

Sale of products	238,534	147,860
Total	**1,648,545**	**1,502,627**

14. Cost of goods sold and services rendered

Cost of goods sold and services rendered information is presented before any depreciation or amortization that is direct and attributable to revenue sources. The Group's asset base deployed in the business is not easily split into a component that is directly attributable to a business and a component that is common / indirect to all the businesses. Since a gross profit number without depreciation and amortization does not necessarily meet the objective of such a disclosure, the Group has not disclosed gross profit numbers but disclosed all expenses, direct and indirect, in a homogenous group leading directly from revenue to operating margin.

15. Personnel expenses

	Three months ended	
	June 30, 2009	**June 30, 2008**
Salaries and wages	351,637	365,710
Contribution to provident fund and other funds	14,925	15,849
Staff welfare expenses	6,540	11,368
Employee stock compensation expense	7,888	17,506
	380,990	**410,433**
Attributable to cost of goods sold and services rendered	184,082	196,077
Attributable to selling, general and administrative expenses	196,908	214,356

16. Net finance income and expense

	Three months ended	
	June 30, 2009	**June 30, 2008**
Interest income on bank deposits	12,754	32,782
Interest income from leases	-	172
Others	4,306	351
Finance income	**17,060**	**33,305**
Interest expense on finance lease obligations	3,629	139
Bank charges	15,198	10,267
Interest on borrowings	52,759	23,373
Finance expense	**71,586**	**33,779**
Net finance income / (expense) recognised in profit or loss	**(54,526)**	**(474)**

17. Loss per share

The calculation of basic loss per share for the three months ended June 30, 2009 and 2008 is based on the loss attributable to ordinary shareholders of Rs.(139,077) and Rs.(132,723) respectively.

	Three months	
	June 30, 2009	**June 30, 2008**
Net profit / (loss) – as reported	(139,077)	(132,723)
Weighted average number of shares – basic and diluted *	43,398,653	46,665,182
Basic earnings / (loss) per share	(3.20)	(2.84)

* Ordinary shares arising out of potential exercise of outstanding stock options as at June 30, 2009 and 2008 were not included in the computation of diluted earnings per share, as their effect was anti-dilutive.

18. Segment reporting

There has been no change in the composition of reportable segments for the three months ended June 30, 2009 as compared to the year ended March 31, 2009.

The primary operating segments of the Group are:

- Corporate network/data services, which provides internet, connectivity, security and consulting, hosting and managed service solutions;
- Internet access services, from home and through cybercafés;
- Online portal services and content offerings; and
- Other services, such as development of content for e-learning.

Three months ended June 30, 2009

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One	Other Services	Total
		A	B	A+B		
Segment revenue	1,267,866	221,425	36,825	258,250	122,429	1,648,545
Allocated segment expenses	(898,849)	(239,057)	(45,124)	(284,181)	(103,961)	(1,286,991)
Segment operating income / (loss)	**369,017**	**(17,632)**	**(8,299)**	**(25,931)**	**18,468**	**361,554**
Unallocated expenses						
Cost of goods sold						(120,026)
Selling, general and administrative expenses						(251,217)
Depreciation and amortization						(147,270)
Impairment loss on intangibles including goodwill						(47,269)
Other income / (expense), net						32,051
Finance income						17,060
Finance expenses						(71,586)
Share of profit of equity accounted investee						15,933
Profit or (Loss) before Tax						**(210,770)**
Income tax(expense)/benefit						81,479
Profit/(loss) for the quarter						**(129,291)**

Three months ended June 30, 2008

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One	Other Services	Total
		A	B	A+B		
Segment revenue	991,269	325,306	49,180	374,486	136,872	1,502,627
Allocated segment expenses	(636,652)	(357,645)	(57,416)	(415,061)	(107,354)	(1,159,067)
Segment operating income / (loss)	**354,617**	**(32,339)**	**(8,236)**	**(40,575)**	**29,518**	**343,560**
Unallocated expenses						

Cost of goods sold	(116,085)
Selling, general and administrative expenses	(252,769)
Depreciation and amortization	(111,795)
Other income / (expense), net	18,504
Finance income	33,305
Finance expenses	(33,779)
Share of profit of equity accounted investee	12,810
Profit or (Loss) before Tax	**(106,249)**
Income tax(expense)/benefit	(18,236)
Profit/(loss) for the quarter	**(124,485)**

19. Capital Commitments

Contracts pending to be executed on capital account as at June 30, 2009 and not provided for amounted to Rs.576,985 (net of advances Rs.352,196), [March 31, 2009 Rs.322,607 (net of advances Rs,177,183). In addition, the Company has a commitment to make payments aggregating to Rs.478,852 (USD 10 million) to Emirates Integrated Telecommunications Company PJSC under the agreement for supply of capacity from the Europe India Gateway, of which the Company has already made payments amounting to Rs.155,146 (USD 3.24 million) as at June 30, 2009.

Operating leases: The Group leases office buildings and other equipments under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. The schedule of future minimum rental payments in respect of operating leases is set out below:

As at June 30, 2009

Lease obligations	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Non-cancellable operating lease obligations	2,285,439	152,094	866,111	1,267,234
Non-cancellable obligations towards proposed lease *	2,423,554	-	549,538	1,874,016

As at March 31, 2009

Lease obligations	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Non-cancellable operating lease obligations	1,801,477	135,165	585,564	1,080,748
Non-cancellable obligations towards proposed lease *	2,423,554	-	549,538	1,874,016

***** VALS Developers Private Limited ("VALS") is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, a Company in which Mr. Raju Vegesna, the principal share holder and Chief Executive Officer of Sify is holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a memorandum of understanding with VALS Developers Private Limited to obtain land and building which is in the process of being constructed on a long term lease. The lease agreement, when final, is expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for two five year terms. In connection with this lease, Sify has paid a security deposit of Rs.125,700 and advance rental of Rs.157,125 to VALS. The security deposit will be refunded at the end of lease term and the advance rental would be adjusted over a period of 15 months from the commencement of the lease.

20. Legal proceedings

Sify and certain of its officers and directors are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which is captioned In re Satyam Infoway Ltd. Initial Public Offering Securities Litigation, also names several of the underwriters involved in Sify's initial public offering of American Depositary Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Sify's ADSs from the time of Sify's Initial Public Offering ("IPO") in October 1999 through December 2000. The central allegation in this action is that the underwriters in Sify's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Sify's ADSs in the IPO and the aftermarket. The complaint also alleges that Sify violated the United States Federal Securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits.

In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers was filed by the entire group of issuer defendants in these similar actions. In October 2002, the cases against the Company's executive officers who were named as defendants in this action were dismissed without prejudice. In February 2003, the court in this action issued its decision on defendants' omnibus motion to dismiss. This decision denied the motion to dismiss the Section 11 claim as to the Company and virtually all of the other issuer defendants. The decision also denied the motion to dismiss the Section 10(b) claim as to numerous issuer defendants, including the Company. On June 26, 2003, the plaintiffs in the consolidated IPO class action lawsuits currently pending against Sify and over 300 other issuers who went public between 1998 and 2000, announced a proposed settlement with Sify and the other issuer defendants. The proposed settlement provided that the insurers of all settling issuers would guarantee that the plaintiffs recover $1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs did not recover $1 billion, the insurers for the settling issuers would make up the difference. This proposed settlement was terminated on June 25, 2007, following the ruling by the United States Court of Appeals for the Second Circuit on December 5, 2006, reversing the District Court's granting of class certification.

On August 14, 2007, the plaintiffs filed Amended Master Allegations. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification. Defendants filed a Motion to Dismiss the focus cases on November 9, 2007. On March 26, 2008, the Court ruled on the Motion to Dismiss, holding that the plaintiffs had adequately pleaded their Section 10(b) claims against the Issuer Defendants and the Underwriter Defendants in the focus cases. As to the Section 11 claim, the Court dismissed the claims brought by those plaintiffs who sold their securities for a price in excess of the initial offering price, on the grounds that they could not show cognizable damages, and by those who purchased outside the previously certified class period, on the grounds that those claims were time barred. This ruling, while not binding on the Company's case, provides guidance to all of the parties involved in this litigation. On October 2, 2008, plaintiffs requested that the class certification motion in the focus cases be withdrawn without prejudice. On October 10, 2008, the Court signed an order granting that request. On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The proposed settlement provides the plaintiffs with $586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for $100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On September 10, 2009, the Federal District Court held the fairness hearing for final approval of the settlement. On October 6, 2009, the District Court issued an order granting final approval of the settlement. Subsequent to the final approval of Settlement agreement by the District court, there are several notices of appeal filed, most of which were filed by the same parties that objected to the settlement in front of the District Court. These are likely to be consolidated into a single appeal and briefing schedule would be provided shortly by the court.

21. Acquisition of non-controlling interest in subsidiary

The Board of Directors and shareholders of the Company at their meeting held on November 24, 2008 approved the merger of Sify's subsidiary Sify Communications Limited, subject to approval by the Honorable High Court of Madras and other statutory authorities. Subsequently, the Company obtained the approval of Honorable High Court on June 26, 2009 which is binding on the Company and its subsidiary Sify Communications Limited and as part of the merger, the Company issued 10,530,000 equity shares to Infinity Satcom Universal Pvt. Limited (a company promoted by the principal shareholders of Sify) and acquired the remaining 26% equity interest of Sify Communications Limited. Although the merger was approved by the High Court on June 26, 2009, which is considered as the acquisition date for accounting purposes, for Income-tax purpose the effect of merger is retrospectively applied from April 1, 2008. The acquisition of this non-controlling interest has been accounted as a transaction with equity holders in their capacity as equity holders and accordingly no goodwill has been recognized. As a result of the acquisition of non-controlling interest, the following adjustments were incorporated in the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2009:

- As a consequence of the merger, the Company was eligible under the Indian Income-tax laws to consolidate the Income-tax returns of Sify and Sify Communications Limited retrospectively from April 1, 2008. Accordingly, the taxable income reported by Sify Communications Limited for the period subsequent to April 1, 2008 has been off-set against the previously fully reserved business losses of the Company. This resulted in the reversal of income tax liabilities aggregating to Rs.90,003 and a write off of deferred tax assets of Rs.8,524 during the quarter ended June 30, 2009.

- Consequent to the approval of the merger by the Honorable High Court on June 26, 2009, the Company was obliged to issue 10,530,000 shares which the Company has duly issued on July 16, 2009, and accordingly the fair value of shares to be issued as at June 26, 2009 has been considered as the consideration for the acquisition of the non-controlling interest. The difference between the fair value of the consideration paid and the face value of equity shares issued is recorded as share premium and the difference between the fair value of the consideration paid and the carrying amount of non-controlling interests is recorded as an adjustment in equity and is included as part of share premium.

22. Liquidity

As of June 30, 2009 the current liabilities of the Company exceeded the current assets by Rs.191,331. Based on the projected cash flow, available lines of credit and the proceeds in connection with legal matters (also refer note 23(a)), the Company will have sufficient resources to meet capital expenditure needs and working capital requirements over the course of the next 12 months. Additionally, the Company is exploring the possibility of exiting a leased facility and recovering the related security deposit, and replacing certain short term loans with long term lines of credit.

23. Subsequent event

a) Subsequent to the balance sheet date, the Company received USD 12 million (approximately Rs. 561,120 thousands) in connection with legal matters. The payment will be recorded in the statement of income for the quarter ending 31 December 2009.

b) Subsequent to the balance sheet date, the book value of the stockholders' equity of the Company exceeded the market capitalization. Consequently, subsequent to September 30, 2009, the Company has commenced an impairment analysis of its long lived assets taking into account various factors such as control premium, estimated cash flows, discount rate and anticipated terminal value.

24. Group entities

The following are the entities that comprise the group as of June 30, 2009 and March 31, 2009

Particulars	**Country of incorporation**	**% of Ownership interest**	
Significant subsidiaries		**June 30, 2009**	**March 31, 2009**
Sify International Inc	US	100	100
Sify Software Limited (formerly known as Sify Networks Private Limited)	India	100	100
Associates			
MF Global-Sify Securities India Private Limited	India	29.85	29.85

Recent Accounting Pronouncements

a) Standards early adopted by the Company

- *IFRS 8 'Operating Segments'* introduces the 'management approach' to segment reporting, whereby segment reporting is based on internal management reporting and replaces IAS 14. IFRS 8 aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information." The standard is applicable for periods beginning on or after January 1, 2009. Sify early adopted IFRS 8 beginning the year ended March 31, 2008 and has made disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The application of this standard did not result in any significant change in the Group's segmental disclosures.

- *IFRS 3 (Revised), Business Combinations,* as amended, is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the Group as at April 1, 2009. Business Combinations consummated after April 1, 2009 will be reckoned under this standard. IFRS 3 (Revised) primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with IAS 39. Consideration, after this amendment, will include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be carried out through net profit in the statement of comprehensive income. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

  IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest (NCI) in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method will result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach will require recording goodwill on NCI as well as on the acquired controlling interest. Business combinations consummated in the future would be impacted by the revised standard. Consistent

- IAS 27, as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided IFRS 3 (Revised) is also early adopted. This standard was early adopted by the company as at April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Additionally purchase of some or all of the non-controlling interests is treated as treasury transaction and accounted for in equity and a partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed off and a further holding gain is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute their share of net profit / loss and reserves to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. with the provisions of IFRS 3 (Revised), the Group accounted for its acquisition of 26% non-controlling interest in Sify Communications Limited on June 26, 2009 as an equity transaction.

b) Recently adopted accounting pronouncements

- The Company adopted *IAS 1 (revised), "Presentation of Financial Statements"*, effective April 1, 2009. The revision aims to improve users' ability to analyze and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revisions include non-mandatory changes in the titles of some of the financial statements to reflect their function more clearly (for example, the balance sheet is renamed as statement of financial position). The revised IAS 1 resulted in consequential amendments to other standards and interpretations.

c) Standards issued but not yet effective

- *IFRIC 18 – 'Transfer of assets from customers'* defines the treatment for property, plant and equipment transferred by customers to companies or for cash received to be invested in property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to both. The item of property, plant and equipment is to be initially recognized by the Company at fair value with a corresponding credit to revenue. If an ongoing service is identified as a part of the agreement, the period over which revenue will be recognized for that service would be determined by the terms of the agreement with the customer. If the period is not clearly defined, then revenue should be recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service. This interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. Earlier application is permitted provided the valuation and other information needed to apply the information to past transfers were obtained at the time the transfers occurred. The Company would prospectively adopt this interpretation for all assets transferred after July 1, 2009. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

- Improvements to IFRS- In April 2009, the IASB issued "Improvements to IFRSs" — a collection of amendments to twelve International Financial Reporting Standards — as part of its program of annual improvements to its standards, which is intended to make necessary, but non-urgent, amendments to standards that will not be included as part of another major project. The latest amendments were included in exposure drafts of proposed amendments to IFRS published in October 2007, August 2008, and January 2009. The amendments resulting from this standard are mainly applicable for fiscal beginning from April 1, 2010, although entities are permitted to adopt them earlier. The Company is evaluating the impact, these amendments will have on the Group's consolidated financial statements.

- In November 2009, the IASB issued IFRS 9, "Financial instruments", to introduce certain new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications — those measured at amortized cost and those measured at fair value. The standard along with proposed expansion of IFRS 9 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable from the year 2013, although entities are permitted to adopt earlier. The Company is evaluating the impact which this new standard will have on the Company's unaudited condensed consolidated interim financial statements.

Critical accounting policies

The accounting policies applied by the group in these Unaudited Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended March 31 2009 except for the fact that beginning the quarter ended June 30, 2009, the Company started generating revenues from a construction contract**.** Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Also refer to Note 3 of these unaudited condensed consolidated interim financial statements included with this Report.