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Board of Directors

Sify Technologies Limited
(Formerly Sify Limited)

Raju Vegesna
Chairman, Managing Director & CEO

Ananda Raju Vegesna
Executive Director

T H Chowdary

C B Mouli

P S Raju

S K Rao

S R Sukumara

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

S R Sukumara

Compensation Committee

T H Chowdary
Chairman

P S Raju

S K Rao

S R Sukumara

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Registered Office
2nd Floor, Tidel Park
4, Rajiv Gandhi Salai
Taramani, Chennai 600 113

Bankers
State Bank of India
AXIS Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Citibank N.A.
ABN Amro Bank
ICICI Bank Limited

Auditors
BSR & Co.
Chartered Accountants
Chennai, India

DIRECTORS' REPORT

Dear Members,

Your Directors present to you the Thirteenth Annual Report together with the audited financials of your Company for the financial year ended March 31, 2009.

The financials for the year ending March 31 2009 are for Sify Technologies Limited as a merged entity, while the financials for the year ending March 31 2008 are for the company as a standalone entity prior to the merger. Therefore they are not directly comparable.

Financial highlights

Rs. in million

Details	*Year ended March 31, 2009**	Year ended March 31, 2008**
Sales and service	*6,162*	4,640
Other Income	*222*	362
Depreciation	*508*	389
Financial expenses	*266*	44
(Loss) before tax	*(769)*	(199)
Taxation including Fringe Benefit Tax	*(20)*	(17)
(Loss) after tax	*(789)*	(216)

* Represents the financials of the Company as a merged entity.

** Represents the financials of the Company as a standalone entity.

Business overview

The second half of the financial year 2008-09 was characterized by the effects of the global financial crisis and the slowdown in the country's economy. The negative sentiments that resulted from this impacted the overall business climate and caused lower revenue growth and profits across the board.

Your Company was also impacted by the slow down, by higher levels of depreciation and amortization due to investments in infrastructure during the year, and delay in revenue monetisation of facilities created. We also incurred debt to fund data centre expansion and incurred the costs of servicing the debt. These have contributed to an increase in losses for the year.

However, your Company's domestic enterprise business grew despite the slowdown in IT investments and consequently in services. We expect continued growth in the enterprise business going forwards in our core business of managed connectivity services, and by demand for our data centre and carrier voice services.

Our international businesses, comprising remote infrastructure management services and eLearning services also grew by identifying opportunities despite the recession in Western markets. We expect to continue to grow these businesses based on the opportunities identified, and the alliances and partnerships that have been established to further our business.

Consumer business services, particularly access services, have proved a challenge with the slowdown in the past year, and we are analyzing and restructuring our business models and teams going forwards. The number of operational e-ports fell from 2029 to 1651 during the year under review. Similarly, our broadband to home subscriber base also fell from about 2,00,000 to 1,53,500 due to competition from Telcos. We have been able to arrest the decline in cyber café revenues with new value added services initiatives and expect to grow revenues going forwards. We are also analyzing our broadband offerings and business model to make the business more competitive.

Your Company initiated a drive to reduce costs during the year for bandwidth, manpower, office space, power, communications costs and travel for prudent fiscal management and profitability. We expect to continue to examine each and every cost going forwards as we increase revenues to accelerate our path to profitability.

MAJOR CORPORATE DEVELOPMENTS

Merger of Sify Communications Limited with Sify Technologies Limited

In last year's Director's Report we had stated that the Company had withdrawn the petition pending with the Hon'ble High Court of Madras for the merger of Sify Communications Limited (Sify Comm) with Sify Technologies Limited (Sify Technologies) due to the business and regulatory environment at that time. However, the Company kept the option of merging the two entities in future depending on the business and policy environment, and the benefits that could accrue from a merger at a later date.

Subsequently, with the ongoing global financial crisis and the slowdown in the economy, the Company felt that it would be beneficial to proceed with the merger of Sify Comm with Sify Technologies in order to conserve cash, maximize capacity utilization of infrastructure, human, financial and other resources and benefit from the synergies enabled by merged operations.

The shareholders approved the merger of Sify Comm, the subsidiary Company, with Sify Technologies at the Court convened meeting on February 12, 2009. The Company had subsequently filed the petition with the High Court of Madras. The High Court sanctioned the Scheme of Amalgamation vide its Order dated June 26, 2009.

The merger is effective retrospectively from April 1, 2008 and consequently the financials for the year ended March 31, 2009 under the IGAAP was prepared as a merged entity. Consequent to the merger, the VPN business was transferred to Sify Technologies and Sify Technologies continues to provide VPN services to all customers.

Compliance with the Foreign Direct Investment regulation

Consequent to the merger of Sify Comm with Sify Technologies, the National Long Distance (NLD) and International Long Distance (ILD) licences are being transferred to Sify Technologies for the provision of VPN services. As per the terms of the Licence, the Company has reduced FDI below 74%. Presently, the Company has a foreign holding of 72.76% and a resident holding of 27.24%.

BUSINESS REVIEW

Enterprise Services

The Enterprise business accounted for around 70% of the total revenues of the Company during the year under review. The product range encompassed diverse offerings in Connectivity, Hosting, Managed Voice Services, Application Services, System Integration and Security solutions. The Company has, in addition to the enterprise market segments, entered the Government sector during the course of the year.

In the connectivity business, the Company continued to expand its network to reach out to more remote locations. This was done to meet the growing demand from various market segments, especially banks, insurance and retail companies, for reaching remote locations in the country. This has strengthened the position of the Company in the market as a dependable VPN service provider with widespread reach, sensitive to the needs of customers.

Hosting services grew by more than 50% over the previous year with the Company investing in two more Data Centres during the year. The Data Centre in Airoli, Navi Mumbai which became operational in July 2008, is a state of the art Data Centre, and has positioned the Company as a world class service provider. This has already resulted in quite a few large and prestigious contracts during the year. Your Company is also in the process of increasing the range of services offered in its Data Centres.

The Company launched its ILD and NLD voice services during the year under the licence issued by the Department of Telecommunications. The service has been received well and has positioned Sify Technologies as an important ILD operator in the country in a very short span of time, and has the potential for further robust growth going forwards. This initiative has strengthened our position in managed voice services, and positions us to take advantage of regulatory changes with regard to domestic VoIP when they occur.

The Enterprise Application Services business was revamped during the year, with consolidation and strengthening of the various services offered. The Applications Services business will now focus on Messaging, Document Management, Assessment, Learning Management and Forum services.

Your Company leveraged its expertise in designing and building Data Centres by participating in large Government tenders to build and operate captive Data Centres. The Management is confident that this would result in good revenue opportunities in the current year. Your Company also launched services to develop and operate networks for large customers.

Your Company continued to play an important role in the Network Security business, with gains in segments like banking, automobiles, manufacturing and services for security solutions. The Security business strengthened partnerships with major international manufacturers of security products, and leveraged the Security Operations Centre (SOC) in Bangalore to offer managed security services to customers.

During the year under review, your Company consolidated its position in Banking, Financial Services and Insurance, Retail and Telecom with the range of services. Apart from VPN services which have been the strength of the organization, your Company has established itself as a major Data Centre hosting service provider in the country. Today, your Company offers services to all segments of the market from SMBs to large enterprises with the organization structured to effectively address these markets.

The strategy for the newly added Government segment is to focus on large opportunities in the Central and State Governments. The Systems Integration business has also been leveraged to address the needs of the Government sector. These projects have long gestation periods and results would become visible in the coming years.

The Company has also strengthened its relationships with its alliance partners, domestic as well as international, to be more competitive in the market. Overall, your Company's Enterprise business has consolidated its position, and taken steps to enable significant growth in the coming years.

Consumer Services

This business accounted for 21% of the total revenues of the Company during the year under review.

Sify e-port:

Your Company has added more value added services, and launched new initiatives to transform Sify ePorts into the largest e-commerce chain in India.

It has entered into strategic tie-ups with the National Internet Exchange (NIXI) and Microsoft to provide online educational content and certification to café users. Your company also entered into strategic tie ups with select colleges and competitive training institutes for conducting online examinations at ePorts. These represent new sources of revenue that have the potential to grow going forwards. Your Company continues to provide value added services in the areas of Travel, Utility and Financial services.

Your Company now has 1651 operational e-Ports, spread across 253 towns and cities in India.

Broadband:

During the course of the year, Sify Broadband launched a range of product offerings to meet the needs of Internet users. Products that offer higher speeds as well as unlimited facility were launched successfully and found favour with many users.

To ensure wider coverage and connectivity, wireless broadband services to homes were expanded to 16 cities.

Your Company's broadband service is now available across 201 cities and towns in India, with a subscriber base of 153,500 through a network of 2014 Cable Television Operators (CTOs).

The Company continues to provide VOIP services through its e-ports, telecentres and Sify broadband home users.

Interactive services (portals):

Your Company's popular consumer portal, Sify.com, revamped its home page www.Sify.com and key channels Sify sports http://sify.com/sports/ and Sify news http://sify.com/news/ with a fresh new look and ease of navigation.

Sify.com continued its association with Sony Entertainment Television for the popular reality shows Indian Idol & Jhalak Dikhla Jaa. Indian Idol fans were offered unique opportunities for interactive participation with contestants with an estimated 5% of the country's Internet users accessing this site. Sify.com also continued its relationship with Zee Television to offer the popular dance show "Dance India Dance" to fans online.

With the partnership between Sify and Google to launch online applications using the GoogleApps platform, Sify.com launched a faster and more efficient mail service termed 'World in Your Inbox' or WIYI. WIYI enables users to personalize their inbox to become their home page with a range of applications.

Samachar.com, the leading website for overseas Indians, launched images, video and updated news from more channels and publications to users. The five existing regional language channels on Samachar.com were completely revamped and two more languages, Punjabi http://punjabi.samachar.com and Gujarati (http://gujarati.samachar.com/ were added.

A new interactive gaming site, AntZill on Sify.com http://games.sify.com/, was launched with a vast array of games for online gaming enthusiasts. For the first time in the country, AntZill offered gamers the opportunity to not only play, but win prizes and build communities.

Sify News had extensive coverage of the Assembly and Lok Sabha elections covering personalities, their campaign trail and real time election results. Stree, an exclusive section for the contemporary woman, was launched http://sify.com/news/women, that includes sections on lifestyle, family, health, career tips, leisure, cookery tips and astrology.

Sify.com continues to enhance its capabilities and content with alliances with companies such as Google, World Wrestling Entertainment (WWE), Sony Entertainment Television, Zee TV and others to offer compelling entertainment and sports content, including video content. This draws new users for the rich media content they can enjoy on Sify.com.

Sify sports had in-depth coverage of sports events and live streaming of international cricket matches, including the India - New Zealand, Australia - South Africa, and West Indies - England series. This has met with a very encouraging response from users as Sify was the only portal in India to offer this. This resulted in new users and also attracted advertiser interest.

International services

Your Company's International service revenues grew 30% over the previous year, by expanding both its lines of service; Remote Infrastructure Management and Corporate eLearning Services.

Infrastructure Management Services:

Your Company has seen substantial growth in its Infrastructure Management Services (IMS) revenues, which have grown upwards of 40% during the fiscal year 2008-09. Given the growing opportunity in this area, the Company is investing in sales, marketing and product engineering functions to capitalize on demand. Your Company's services are delivered remotely from delivery centres in Chennai and Hyderabad.

During the year under review, your Company was chosen by an US entertainment Company to provide application services; another US global publishing chose your Company to remotely manage their online learning infrastructure.

eLearning Services:

Your Company expanded its revenue base for e-learning services with custom learning content development services and learning technology services for large global corporations with a revenue increase of 20% over 2007-08. The Company's delivery centres are located in Chennai, Mumbai, New Delhi and Bangalore.

For the third sequential year, the Company won an award at the prestigious Brandon Hall Excellence in Learning Awards for 2008 for a life like simulation created in Second Life. The company's focus in research and development of new products and services in online learning gives us an edge.

Technology Initiatives

Core Network:

- Sify's IP-MPLS network expanded to extend our reach from 478 to 557 cities, while wireless base stations increased from 745 to 927 across the country.
- The deployment of 8 Cisco CRS-1 routers in Sify's network core makes our network India's first Next Generation Network (NGN) services capable network. It also effectively addresses future network scalability, and paves the way for optimal performance-cost ratio operations over the years.
- Sify also fortified its converged NGN core with enhanced security processes and advanced design methodologies to help secure the network even better. This involved re-configuring the routing architecture of the network, and is a significant security-related milestone for network operations.

Voice Services:

- Sify designed, engineered and implemented a robust, NGN-based international long distance (ILD) voice infrastructure which included implementation of Points of Interconnect (POI) with all major mobile and

PSTN operators in India across 23 telecom circles. The ILD voice infrastructure and services framework is designed to run over the existing converged network infrastructure to significantly increase utilization of the available network resources. Sify's international POP infrastructure was utilized to interconnect to global voice carriers on both IP and TDM based facilities to ensure the flexibility for on-boarding carrier customers.

- A significant milestone for voice services was the rapid deployment of domestic (India) POI with various PSTN / Mobile / NLD operators. A voice infrastructure that constitutes about 380 E1's circuits in 23 telecom circles in India with a total capacity to carry 4 million minutes of voice traffic per day has been successfully created and made operational within stringent timelines.
- In an effort to strengthen our value added services, Sify's Hosted Contact Centre Services was brought under the coverage of the ISO 27001 certification.

Training and Certification:

- Sify is now enabled with Cisco's Tier-1 Managed Services Certified Partner (MSCP) Certification. The MSCP certification ensures world-class delivery of managed MPLS VPN and Internet Services compliant to Cisco's global standards; and this has been verified by a third party as part of the certification audit process. The audit framework covered Sify's service delivery, service assurance, processes as well as the network infrastructure for 360 degree compliance.

Technology standards and services :

- Forward-looking work on data centre and network virtualization was initiated to prepare for the next-generation of virtualized or "cloud-based" services.
- Wireless-to-the-Home services for the consumer broadband segment were launched using Wi-fi based micro base stations that provide direct wireless connectivity to homes. 70 plus micro base stations were commissioned for this service.
- In a significant milestone, Sify's IP-MPLS network and services were IPv6 enabled for deployment of IPv6 compliant services for enterprise customers. www.sify.com became the first commercial IPv6 portal in India. Sify is the first Company to provide such IPv6 services.

Data Centre:

- Additional Data Centre capacities were deployed at the Bangalore and Airoli facilities. At Bangalore 7,000 Sq.ft. was added as part of Phase II expansion, while at Airoli, 8600 Sq.ft was added.
- All Sify Data Centres were certified ISO/IEC 20000-1:2005 in March 2009. Based on the leading industry ITIL framework, this certification sets Sify's Data Centre operations one step ahead in technology and harmonized quality of service across all our facilities.
- The ISMS certification ISO/IEC 27001:2005 was re-validated successfully in March 2009, and also covered the Voice Network Operations Centre as well as the Security Operations Centre (SOC).

SUBSIDIARY COMPANIES AND ASSOCIATE COMPANY

Sify Networks Private Limited and Sify International Inc.

The companies did not have any business operations during the year under review.

MF Global Sify Securities India Private Limited

During the year under review, the Associate Company registered revenue of Rs.1351.50 million against Rs.2454.30 million in the last year. The Net Profit for the year under review was Rs.156.60 million as compared to Rs.554.00 million in the previous year. The volatile stock market conditions in the last year affected both Revenues and Net Profits of the Company.

Forward looking statements

The statements made in this report may contain forward looking statements within the meaning of applicable laws and regulations. The forward looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward looking statements.

For detailed information on Risks relating to the Industry, Company, Management Discussion and Analysis, please refer to our Form 20-F expected to be filed by end of September 2009 with Securities and Exchange Commission, USA.

Directors

Dr T H Chowdary and Mr S R Sukumara, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend their reappointment.

Audit Committee

The present Audit Committee consists of Mr C B Mouli, Dr S K Rao and Mr S R Sukumara.

Compensation Committee

The present Compensation Committee consists of Dr T H Chowdary, Dr S K Rao, Mr P S Raju and Mr S R Sukumara.

Directors' responsibility statement

Your Directors state:

(i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

(iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that they had prepared the annual accounts on a going concern basis.

Auditors

Our Statutory Auditors, BSR & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

Fixed Deposits

Your Company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Conservation of Energy, Technology Absorption and Foreign Exchange

The particulars prescribed under clause (e) of sub section (1) of Section 217 of the Indian Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are given in Annexure ''A" of this report.

Employees' Particulars in terms of Section 217(2A) of the Indian Companies Act, 1956

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

However, having regard to the provisions of Section 219(1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Acknowledgement

Your Directors take this opportunity to thank all investors, customers, vendors, banks, regulatory and Government authorities for their continued support. Your Directors also wish to place on record their appreciation of the valuable contribution made by the Associates at all levels.

For and on behalf of the Board

C B Mouli	***Ananda Raju Vegesna***	***Raju Vegesna***
Director	Executive Director	Chairman & Managing Director

Chennai
August 26, 2009

ANNEXURE A

Particulars furnished pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A Conservation of energy: The Company is not a manufacturing Company and hence the details in respect of the above are not applicable.

B Research and Development: The Company has not undertaken any R&D activity in any specific area during the year under review, and hence no cost has been incurred towards the same.

C	Technology Absorption		Nil.
D	Foreign Exchange Earnings and Outgo		In million
	Total Foreign Exchange earnings Total	:	Rs. 1,265
	Foreign Exchange outgo	:	Rs. 1,050

AUDITORS' REPORT TO THE MEMBERS OF SIFY TECHNOLOGIES LIMITED

1. We have audited the attached balance sheet of Sify Technologies Limited ('the Company') as at March 31, 2009, the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4 Further to our comments in the Annexure referred to above, we report that:

   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

   (iii) the balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   (v) on the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

   (vi) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;

      b. in the case of the profit and loss account, of the loss of the Company for the year ended on that date; and

      c. in the case of the cash flow Statement, of the cash flows of the Company for the year ended on that date.

for ***B S R & Co.***
Chartered Accountants

S Sethuraman
Partner
Membership No. 203491

Hyderabad
August 12, 2009

Annexure to the Auditors' Report of Sify Technologies Limited as of and for the year ended March 31, 2009 ***(Referred to in our report of even date)***

(i) The Company has maintained records showing particulars, including quantitative details and situation of fixed assets. The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

Pursuant to the phased physical verification programme, during the year, the Company has performed a physical verification exercise in respect of certain assets and no material discrepancies were noticed on such verification. The Company is in the process of integrating the details of such assets into a full record of fixed assets.

Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence the provisions of clause 4 (iii) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products sold/ services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of investor education and protection fund and excise duty. There were no dues on account of cess under section 441A of the Companies Act, 1956, since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, Customs duty and other material statutory dues were in arrears as at March 31, 2009 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the following dues of service tax have not been deposited by the Company on account of disputes:

Name of Statute	Amount (in Rs.000s)	Period to which it relates	Forum where pending
Finance Act, 1994 (Service Tax)	294	Apr 2005 - Sep 2005	Commissioner (Appeals) of Service Tax, Chennai
	719	July 2003 – Sep 2004	Commissioner (Appeals) of Service Tax, Chennai
	18,624	Oct 2005 - Mar 2006	Assistant Commissioner of Service Tax, Chennai
	140,064	Oct 2006 - Sep 2007	Commissioner (Appeals) of Service Tax, Chennai
	60,395	Oct 2007 - Mar 2008	Commissioner (Appeals) of Service Tax, Chennai

Note : Excludes disputed income tax matters relating to carry forward losses which do not reslut in tax dues.

(x) The accumulated losses are not more than 50% of the Company's net worth at the end of the financial year. However, the Company has incurred cash losses in the financial year (no cash losses were incurred in the immediately preceding financial year).

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for ***B S R & Co.***
Chartered Accountants

S Sethuraman
Partner
Membership No. 203491

Hyderabad
August 12, 2009

Balance Sheet

(All amount are in Indian Rupees thousands except share data and as stated)

	Schedule	As at 31 March 2009	As at 31 March 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	441,018	441,018
Shares pending allotment	1A	105,300	—
Stock Options Outstanding Account	2	32,487	31,653
Reserves and surplus	3	5,162,577	4,547,947
		5,741,382	5,020,618
LOAN FUNDS			
Secured loans	4	2,934,379	779,454
		8,675,761	5,800,072
APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross Block		7,547,967	5,935,999
Less: Accumulated Depreciation / amortisation and impairment		(4,367,185)	(3,754,609)
Net Block		3,180,782	2,181,390
Capital work-in-progress (including capital advances)		362,784	113,038
		3,543,566	2,294,428
INVESTMENTS	6	168,782	758,187
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	39,088	35,020
Sundry debtors	8	1,511,292	1,333,694
Cash and bank balances	9	1,710,344	1,347,175
Loans and advances	10	1,759,759	1,604,652
		5,020,483	4,320,541
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	11	1,959,854	1,746,421
Provisions	12	64,300	42,249
		2,024,154	**1,788,670**
NET CURRENT ASSETS		**2,996,329**	**2,531,871**
PROFIT AND LOSS ACCOUNT	13	**1,967,084**	**215,586**
		8,675,761	**5,800,072**

Significant accounting policies and notes to financial statements 20

The schedules referred to above and the notes thereon form an integral part of the financial statements.

This is the Balance Sheet referred to in our report of even date.

for ***B S R & Co.***
Chartered Accountants

For and on behalf of the Board of Directors

S Sethuraman
Partner
Director
Membership No : 203491

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing

Hyderabad
August 12, 2009

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Profit and Loss Account

(All amount are in Indian Rupees thousands except share data and as stated)

	Schedule	*For the year ended 31 March 2009*		For the year ended 31 March 2008
INCOME				
Sales and services	14	6,162,161		4,640,441
Other income	15	221,859		361,585
		6,384,020		*5,002,026*
EXPENDITURE				
Cost of software and hardware sold	16	579,551		661,292
Personnel expenses	17	1,654,828		1,017,150
Other expenses	18	4,145,398		3,110,055
Depreciation / amortisation and impairment	5	508,000		389,096
Financial expenses	19	265,536		44,100
		7,153,313		*5,221,693*
LOSS BEFORE PRIOR PERIOD ITEMS AND TAXATION		*(769,293)*		*(219,667)*
Prior period income	20(C)	–		20,905
LOSS BEFORE TAXATION		*(769,293)*		*(198,762)*
Provision for taxation				
– Fringe Benefit Tax		19,880		16,824
LOSS AFTER TAXATION		*(789,173)*		*(215,586)*
Profit/(Loss) carried forward from the previous year		(215,586)	(11,626,401)	
Less Adjusted against securities premium	20(C)(18)		11,626,401	–
Adjustments arising on amalgamation of erstwhile Sify Communications Limited	20(C)(1)	(977,302)		–
BALANCE CARRIED TO THE BALANCE SHEET		*(1,982,061)*		*(215,586)*
Earnings per share				
Basic and Diluted (Rs)		(14.65)		(5.03)
Weighted average number of equity shares (Nos)		53,880.320		42,877,726
Nominal value of equity shares (Rs)		10.00		10.00
Significant accounting policies and notes to financial statements	20			

The schedules referred to above and notes thereon form an integral part of these financial statements.

This is the Profit and Loss Account referred to in our report of even date.

for ***B S R & Co.***
Chartered Accountants

S Sethuraman
Partner
Membership No : 203491

C B Mouli
Director

Hyderabad
August 12, 2009

For and on behalf of the Board of Directors

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Schedules forming part of the Balance Sheet

(All amount are in Indian Rupees thousands except share data and as stated)

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
61,000,000 (As at 31 March 2008: 61,000,000) equity shares of Rs 10/- each	610,000	610,000
Issued and Subscribed		
55,643,284 (As at 31, March 2008: 55,643,284) equity shares of Rs 10/- each	556,433	556,433
Less: 12,823,202 (As at 31, March 2008: 6,202) equity shares forfeited of Rs. 10/- each	(128,232)	(62)
	428,201	556,371
Paid-up		
42,820,082 (As at 31, March 2008: 42,820,082) equity shares of Rs 10/- each full paid up	428,201	428,201
Nil (As at March 31, 2008: 12,817,000) equity shares of Rs 10/-each partly paid up (net of calls unpaid Nil (As at 31, March 2008: Rs 25,634))	–	12,817
Add: Forfeited shares-amount originally paid up on 12,823,202 equity shares (Also refer note (C)(20) of Schedule20)	12,817	–
	441,018	***441,018***

Note : Of the above, the Company has issued 952,551 (As at March 31, 2008:952,551) equity shares ofRs 10 each for consideration other than cash

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 1A		
SHARE PENDING ALLOTMENT		
10,530,000 (31 March 2008: Nil) equity shares of Rs 10 each to be issued/allotted as fully paid up to the shareholders of Sify Communications Limited as per the Scheme of amalgmation (Refe note (C)(1) of Schedule 20)	105,300	–
	105,300	–
SCHEDULE 2		
STOCK OPTIONS OUTSTANDING ACCOUNT		
Opening balance	31,653	19,141
Add: Employee Stock Compensation cost for the year (net of reversals for forfeited options)	13,871	14,532
Less: Transfer to securities premium account in respect of exercised grants	–	(518)
Less: Transfer to general reserve in respect of grants lapsed during the year	(13,037)	(1,502)
Closing balance	***32,487***	***31,653***

(All amount are in Indian Rupees thousands except share data and as stated)

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 3		
RESERVES AND SURPLUS		
Securities premium		
Opening balance	4,546,007	16,068,093
Add: Premium received (net of calls unpaid-Nil (As at 31 March 2008: Rs.422,961)	–	103,797
Add: Transfer from stock options outsanding account	–	518
Add: Reversal of provision for share issue expenses (refer note (C) 21 of schedule 20)	6,570	–
Add: Balance in securities premium account of erstwhile Sify Communications Limited transferred pursuant to the scheme of amalgamation (refer note (C)(1) of schedule 20)	610,000	–
Less: Debit balance in profit and loss account adjusted (refer note (C)(18) of Schedule 20)	–	(11,626,401)
Closing balance	5,162,577	4,546,007
General Reserve		
Opening balance	1,940	438
Add: Transferred from Stock options outstanding account	13,037	1,502
Less: Adjusted against debit balance in the profit and loss account - as per contra (refer schedule 13)	(14,977)	–
Closing balance	–	1,940
	5,162,577	4,547,947

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 4		
SECURED LOANS		
Term Loans from banks (refer to notes a and b below)	533,333	85,000
Working capital facilities (refer to note c below)	1,707,139	617,778
Buyers Credit (refer to note d below)	540,825	71,285
Assets acquired under finance lease and on instalment basis (refer note e below)	153,082	5,391
	2,934,379	779,454

Notes:

a. Term loans from banks amounting to Rs.283,333 are secured by charge on all the existing and future movable assets of the Company and by fixed deposits duly lien marked in favour of the bank.

b. Other term loans from banks are secured by pari-passu charge on the movable fixed assets of the Company and pari-passu charge on the current assets of the Company, both present and future.

c. Working capital facilities include the following:

- Short term loans secured by lien on certain fixed deposits; and
- Cash credit and overdraft facilities secured by pari-passu charge on the current assets of the Company and pari-passu charge on entire movable fixed assets of the Company, both present and future.

d. Buyer's credit (including letters of credit discounted) is secured by pari-passu charge on the current assets of the Company and pari-passu charge on entire movable assets of the Company, both present and future.

e. Assets acquired under finance lease and on instalment basis are secured against the relevant assets.

f. Of the above, amounts repayable within one year is Rs. 199,999 (March 31, 2008: Rs. Nil)

Schedules forming part of the Balance Sheet (Contd...)

SCHEDULE 5

FIXED ASSETS (All amount are in Indian Rupees thousands except share data and as stated)

Particulars	Gross Block					Depreciation / Amortisation / Impairment					Net Block	
	As at 1 April 08	Asset transferred on amalgamation	Additions	Deletions / Adjustments	As at 31 March 09	As at 1 April 08	Assets transferred on amalgamation	Depreciation / Impairment for the year	Deletions / Adjustments	As at 31 March 09	As at 31 March 09	As at 31 March 08
Tangible Assets												
Leasehold land	5,132	-	-	-	5,132	589	-	86	-	675	4,457	4,543
Building	485,156	-	-	-	485,156	132,721	-	17,320	-	150,041	335,115	352,435
Plant and machinery	4,164,523	20,717	1,007,906	48,023	5,145,123	2,822,134	20,086	344,,480	46,975	3,139,725	2,005,398	1,342,389
Furniture and fittings	413,274	121	208,486	3,146	618,735	337,185	104	52,860	3,134	387,015	231,720	76,089
Office equipment	96,878	14,804	47,089	1,649	157,122	74,806	14,204	14,602	1,646	101,966	55,156	22,072
Assets acquired under Lease												
Building	284,507	2,139	-	-	286,646	13,382	1,845	10,451	-	25,678	260,968	271,125
Motor vehicles	9,625	-	-	904	8,721	3,987	-	2,981	406	6,562	2,159	5,638
Plant and machinery	-	-	149,252	-	149,252	-	-	13,657	-	13,657	135,595	–
Intangible assets												
Systems software	242,791	34,388	48,035	-	325,214	202,254	34,344	25,475	-	262,073	63,141	40,537
Goodwill	36,200	-	-	-	36,200	13,688	-	8,458	-	22,146	14,054	22,512
Web publication rights	98,226	-	-	-	98,226	98,226	-	-	-	98,226	-	-
Customer and contract related intangibles	99,687	132,753	-	-	232,440	55,637	86,154	17,630	-	159,421	73,019	44,050
	5,935,999	204,922	1,460,768	53,722	7,547,967	3,754,609	156,737	508,000	52,161	4,367,185	3,180,782	2,181,390
Previous year	5,133,548	-	809,277	6,826	5,935,999	3,369,825	-	389,096	4,312	3,754,609	2,181,390	

Notes:

1. Buildings include assets capitalized pending transfer of title in favour of the company amounting to Rs 327,030 (As at March 31, 2008: Rs 327,030).

2. In respect of assets transferred on amalgamation, please refer note (C)(1) of schedule 20.

3. Depreciation / impairment for the year for goodwill includes impairment of Rs.1,218 (March 31, 2008: Nil) recognised.

4. Reclassifications between various categories of assets have been disclosed in deletions / adjustment column.

SCHEDULE 6

INVESTMENTS

(All amount are in Indian Rupees thousands except share data and as stated)

		As at 31 March 2009	As at 31 March 2008
Trade - Long term (Unquoted - at cost)			
Subsidiaries			
IndiaWorld Communications Limited			
(Nil (As at 31 March 2008: 200,000) Equity shares of Rs 10 each fully paid up))		–	5,014,849
Less: Decline, other than temporary, in value of investment		–	(5,014,849)
(the Company has been dissolved and the registrar of Companies has struck off the name of the Company from the register during the year)		–	–
Sify International Inc. (formerly India Plaza.Com, Inc)		357,603	357,603
(100 Shares (As at 31 March 2008: 100) of common stock of USD 0.0001 fully paid up)			
Less: Decline, other than temporary, in value of investment		(357,603)	(357,603)
		–	–
Sify Communications Limited			
Nil (As at March 31, 2008:13,320,000) equity shares of Rs 10 each fully paid up			
(cancelled pursuant to the scheme of amalgmation of Sify Communications Limited		–	584,600
with the company refer note (C)(1) of Schedule 20)			
		–	584,600
Sify Networks Private Limited (formerly E Alcatraz Consulting Private Limited)		32,755	32,755
(81,820 (As at 31 March 2008: 81,820) Equity shares of Rs 10 each fully paid up)			
Less: Decline, other than temporary, in value of investment		(32,755)	(32,755)
		–	–
	(A)	–	***584,600***
Non Trade - Long term (Unquoted - at cost)			
Associate			
MF Global-Sify Securities India Private Limited			
(15,490,800 (As at 31 March 2008:15,490,800) equity shares of Rs 10 each fully paid up)		154,908	154,908
Less: Decline, other than temporary, in value of investment			
	(B)	***154,908***	***154,908***
Non Trade - Current (Unquoted - at lower of cost or fair value)			
Mutual funds			
Birla Sunlife 95 Fund - 44,379 (As at 31 March 2008: 44,379) Units of Rs.10 each		6,923	8,972
HDFC Prudence Fund - 75,988 (As at 31 March 2008: 75,988) Units of Rs.10 each		6,951	9,707
	(C)	***13,874***	***18,679***
	(A)+(B)+(C)	***168,782***	***758,187***
Aggregate cost of unquoted investments		175,223	759,823
Aggregate fair value of currrent investments		13,874	18,679

Schedules forming part of the Balance Sheet (Contd...)

(All amount are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2009	As at March 31, 2008
SCHEDULE 7		
INVENTORIES		
Traded software and hardware	39,088	35,020
	39,088	35,020
SCHEDULE 8		
SUNDRY DEBTORS		
Secured		
Outstanding for a period exceeding six months,		
- considered good	12,910	11,764
- Other debts, considered good	20,008	24,649
	32,918	36,413
Unsecured		
Outstanding for a period exceeding six months		
– considered good	174,238	174,653
– considered doubtful	113,878	85,148
Other debts		
– considered good	1,304,136	1,122,628
	1,592,252	1,382,429
Less: Provision for doubtful debts	(113,878)	(85,148)
	1,511,292	***1,333,694***
Due from subsidiary company- Sify Communications Limited	–	150,200
Due from companies under the same management	698	–

Rs. in Thousands

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on hand	636	379
Cheques on hand	–	1,069
Balance with scheduled banks		
– in current accounts	301,441	160,902
– in deposit accounts	1,401,224	1,182,150
Balance with other than scheduled banks		
– in current accounts	7,043	2,675
	1,710,344	1,347,175
Note :		
a) Balances with other than scheduled banks:		
Closing balance:		
Citibank N.A, New York	2,048	413
Citibank N.A, California	4,618	557
Cedar Rapids and Trust Bank	377	1,705
Maximum amount outstanding at anytime during the year:		
Citibank N.A, New York	11,785	5,428
Citibank N.A, California	10,267	2,918
Cedar Rapids and Trust Bank,	2,835	4,434
b) Balances in deposit accounts are subject to lien in favour of banks against loans taken	1,329,756	870,500

All amount are in Indian Rupees thousands except share data and as stated

	As at March 31 2009	As at March 31 2008
SCHEDULE 10		
LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received		
- To subsidiaries	–	749
- To others	532,166	403,111
Deposits	755,871	769,197
Adavance tax and tax deducted at source (net of provision for tax of Rs. 54,983, March 31,2008: Rs. 35,103)	365,686	262,166
Net investment in leases	–	12,080
Accrued income	106,036	157,349
	1,759,759	1,604,652
Unsecured, considered doubtful		
Advances recoverable in in cash or in kind or for value to be received		
- to subsidiaries	194,909	201,712
- to others	20,167	19,203
Less: Provision for advances doubtful of recovery	(215,076)	(220,915)
	–	–
	1,759,759	***1,604,652***

Schedules forming part of the Balance Sheet (Contd...)

(All amount are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2009	As at March 31, 2008
SCHEDULE 11		
CURRENT LIABILITIES		
Sundry creditors		
– dues to micro and small enterprises	–	–
– due to others	1,340,984	1,215,603
Unearned income	354,800	258,411
Deposits	134,116	121,686
Other liabilities	77,730	49,384
Advances received	52,224	98,824
Forward contract payable (net)	–	2,513
	1,959,854	*1,746,421*
SCHEDULE 12		
PROVISIONS		
Provision for gratuity	15,082	8,592
Provision for compensated absences	49,218	33,657
	64,300	*42,249*
SCHEDULE 13		
PROFIT AND LOSS ACCOUNT		
Debit balance in profit and loss account	1,982,061	215,586
Less: As per contra in general reserve (refer schedule 3)	(14,977)	–
	1,967,084	215,586

Schedules to the Profit and Loss Account

(All amount are in Indian Rupees thousands except share data and as stated)

	For the Year ended March 31, 2009	For the Year ended March 31,2008
SCHEDULE 14		
SALES AND SERVICES		
Service income:		
- Domestic	4,430,308	3,453,652
- Export	1,091,024	464,364
Sales:		
- Domestic	640,829	722,425
	6,162,161	4,640,441
SCHEDULE 15		
OTHER INCOME		
Gain on foreign exchange fluctuation (Net)	15,416	–
Interest income (Tax deducted at source Rs.7,623; March 31, 2008 Rs. 14,161)	116,930	149,318
Duty credit entitlement under served from India scheme	79,278	46,437
Profit on sale of fixed assets (net)	828	-
Miscellaneous income	9,407	165,830
	221,859	361,585
SCHEDULE 16		
COST OF HARDWARE AND SOFTWARE SOLD		
Opening inventory	35,020	24,239
Acquired on amalgamation	2,731	-
Purchases (Net of capitalisation - Rs. 7,363 (March 31,2008:9,947))	580,888	672,073
Closing inventory	(39,088)	(35,020)
	579,551	661,292
SCHEDULE 17		
PERSONNEL EXPENSES		
Salaries and wages	1,532,378	923,431
Contribution to provident and other funds	70,354	43,126
Staff welfare expenses	38,225	36,061
Employee Stock compensation expense	13,871	14,532
	1,654,828	*1,017,150*
SCHEDULE 18		
OTHER EXPENSES		
Networking costs	1,533,162	800,343
Other direct cost	319,346	242,906
Commission expenses	431,996	604,793
Communication expenses	62,481	41,740
Rent	336,899	169,379
Rates and taxes	18,409	22,328
Travelling expenses	120,346	146,940
Power and fuel expenses	216,685	139,931
Legal and professional charges	248,575	273,080
Repairs and maintenance expenses		
- Plant and machinery	25,262	12,984
- Buildings	43,738	35,151
- Others	106,418	67,856
Insurance	27,095	15,482
Outsourced manpower costs	206,550	195,714
Advertisement, selling and marketing expenses	184,087	108,407
Loss on foreign exchange fluctuation (net)	–	17,959

(All amount are in Indian Rupees thousands except share data and as stated)

		For the Year ended March 31, 2009	For the Year ended March 31, 2008
Loss on sale of fixed assets (net)		–	107
Bad debts written off		62,546	131,740
Provision for doubtful debts	91,276		90,642
Provision on bad debts provided in the previous years written back	(62,546)	28,730	(122,691)
Decline in the value of current investments		4,805	1,636
Loss on liquidation of subsidary:			
Cost of investment (company dissolved during the year)	5,014,849		
Less: Decline, other than temporary, already recorded written back	(5,014,849)	–	–
Advances written off	9,064		
Less: Provision on advances provided in the previuos years written back	(9,064)	–	–
Provision for advances to subsidiaries and others		3,225	1,984
Miscellaneous expenses		165,043	111,644
		4,145,398	3,110,055

SCHEDULE 19

FINANCIAL EXPENSES

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
Interest on:		
- term loans	28,459	-
- working capital loans	136,534	23,155
Finance charges on assets taken on finance lease	451	1,826
Letters of credit and bill discounting charges	33,625	1,194
Bank charges	66,467	17,925
	265,536	44,100

Schedules to the financial statements for the year ended March 31, 2009

Schedule 20 - Significant accounting policies and notes to financial statements

(All amount are in Indian Rupees thousands except share data and as stated)

A BACKGROUND

1. Description of business

Sify Technologies Limited, ('Sify' / 'the Company'), is a Company domiciled in India. The address of the Company's registered office is 2nd Floor, Tidel Park, 4, Rajiv Gandhi Salai, Taramani, Chennai – 600113, India. The Company is primarily involved in providing services such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content offerings, development of e-learning software and in selling hardware and software related to such services. Sify was incorporated on December 12, 1995 and is listed on the NASDAQ.

B SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India and the provisions of Companies Act, 1956, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

2. Use of estimates

The preparation of financial statements in conformity with GAAP requires the Company's Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include estimates of provision for diminution in the value of investments, provision for doubtful debts, future obligations under employee retirement benefit plans and useful life of fixed assets and intangible assets. Actual results could differ from those estimates. Any revision to accounting estimate is recognised prospectively.

3. Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recogised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of good can be measured reliably, there is no continuting management involvement with the goods, and the amount of revenue can be measered reliably. Trasfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue from services rendered is generally recognized in propotion to the stage of completion of the transaction at the reporting date. The revenue recognition policies in respect of various streams of revenue are described in detail below.

Corporate network/data services

Corporate network service revenues primarily include connectivity services, voice services, hosting services, digital certificate based authentication services, application services and the revenues from the sale of hardware and software purchased from third party vendors and, to a lesser extent, revenue from installation of the links and other ancillary services such as e-mail and domain registration. Generally these elements are sold as a package consisting of all or some of the elements. In these cases it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are recognised as separable elements because each element constitutes a separate earnings process, each element has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The hardware and software are standard products that are freely traded in and purchased from the market, have standard specifications and are not otherwise customized for the specific needs of a customer. The software sold by the Company is off-the-shelf software, such as anti virus utilities and firewalls. The revenue attributable to hardware/software is recognised on delivery. The revenue attributable to the installation of the link is recognised on completion of the installation work. All revenues are shown exclusive of sales tax and service tax and net of applicable discounts and allowances.

Web hosting service revenues primarily include co-location services and connectivity services. Revenue from hosting services is recognised over the period during which the service is provided. The Company remotely manages the IT infrastructure of global enterprises from India. The contracts are on time and material basis and revenues are recognised accordingly.

Digital Certification revenues include income received on account of Web certification. Generally the Company does not hold after sale service commitments after the activation of the Digital Certificates sold and accordingly, revenue is recognised fully on the date of activation of the respective certificate. Billing towards one time installation / training is recognised upon completion thereof.

The Company provides NLD (National Long Distance) and ILD (International Long Distance) services through Company's network. The Company carries voice traffic, both national and international, using the IP back-bone and delivers voice traffic to Direct Inter-connect Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company's network.

Internet access services

Internet access services include Internet access at homes and businesses through dial-up or cable operator and internet access through a network of cyber cafes. It also includes revenues from VoIP or Internet telephony.

Dial-up Internet access is sold to customers either for a specified number of hours or for an unlimited usage within a specified period of time. Customers purchase "user accounts" or "top-ups" that enable them to access the Internet for a specified quantum of usage or for a specified period of time all within a contracted period. The amounts received from customers on the sale of these user accounts or top-ups are not refundable. Revenue is recognised from sale of user accounts or top-ups based on usage (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time) by the customer. Any unused hours at the end of the contracted period are recognised as revenue. Public internet access is provided to customers through a chain of franchisee cyber café outlets, network of cable operators and to a lesser extent, Sify owned cyber cafés. Sify enters into an arrangement with franchisees that provides for the payment of an initial non-refundable franchisee fee in consideration for establishing the franchisee relationship and providing certain initial services. These initial services consist of a number of activities, including installing the broadband receiver equipment at the cyber café and connecting it to one of Sify's broadcasting towers, obtaining regulatory approvals for clearance of the site for wireless transmission at the allotted frequency range and other ancillary services. Initial franchisee fee is recognised as revenue at the time of commencement of operations by the franchisee. Internet access revenue is recognised based on usage by the customer.

Internet access at homes and businesses through cable networks is provided through a franchised network of cable operators in India. Customers buy "user accounts" for a specified usage or volume of data transfer or for a specified period of time all within a contracted period. Revenue is recognised on actual usage by customer (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time). Any unused hours at the end of the contracted period are recognised as revenue.

VoIP services are mainly provided through Internet Telephony Booths at e-port cybercafés and to a smaller extent through Cable TV operators or CTOs. The user purchases the packs that enable them to use the Internet telephone facility through CTO. Revenues are recognised on the basis of usage by the customer. The customer uses Internet telephony facilities at the e-port cybercafés and makes the payment to the extent of usage of the facility. Revenue is recognised on the basis of usage.

Online portal services and content offerings

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click throughs/ leads delivered. Revenues from commissions earned on electronic commerce transactions are recognised when the transactions are completed. Revenues from value-added services that are rendered using Sify's mobile telephone short code, 54545 are recognised upon delivery of the content/ring tones to the end subscriber and confirmation by the mobile phone service provider.

Other services

The Company provides e-learning software development services to facilitate web-based learning in various organizations. Revenue from such projects is recognised on the fixed man-month rates or proportionate performance method, based on the terms of the contract..

4. *Fixed assets and depreciation/amortisation*

Fixed assets are stated at cost less accumulated depreciation/ amortisation. Direct costs are capitalised until fixed assets are ready for use. These costs include freight, installation costs, duties and taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the useful life of the assets as estimated by the management, whichever is higher. Depreciation is calculated on a pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs 5 are depreciated in full in the year of acquisition.

Leasehold land is amortised using straight-line method over the lease period.

Software for internal use is acquired primarily from third-party vendors in ready-to-use condition. Costs for acquiring such software are capitalised. Capitalised software costs are amortised on straight-line basis over the estimated useful life of the software.

Management's estimates of the useful lives for various categories of fixed assets are given below:

Asset description	*Estimated useful life (in years)*
Buildings	28
Plant and machinery comprising computers, servers etc.	3 – 5
Plant and machinery comprising other items	8
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

Depreciation on assets acquired under a finance lease is provided on a straight line basis over shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Software is amortised over a period of one to three years. Other intangible assets are amortised over three to five years representing management's estimate of the useful life of the asset.

5. *Investments*

Long-term investments comprise investments in subsidiaries and associates and are carried at cost with provision being made for diminution if any, other than temporary, in their value. Such diminution is determined for each investment individually on the basis of the past performance of such subsidiaries / associates and the future expected benefits to the Company from such investments. Current investments are carried at lower of cost and fair value.

6. *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchase and all incidental costs incurred in bringing the inventories to their present location and condition. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method. Inventory of CDs used for Internet service activities are stated at the weighted average cost.

7. *Foreign currency transactions and balances*

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognised in the profit and loss account.

(All amount are in Indian Rupees thousands except share data and as stated)

Profit and loss items at the foreign branch (integral foreign operations) are translated at the respective monthly average rate. Monetary items at the branch office at the Balance Sheet date are translated using the exchange rate prevalent at the date of the Balance Sheet. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date. The premium or discount on all such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or expense for the period.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with AS-11 (revised). The exchange difference on such a forward exchange contract is calculated as the difference of the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change.

In accordance with the announcement "Accounting for derivatives" made by the Institute of Chartered Accountants of India on March 27, 2008, derivatives are marked to market and the losses are recognised in the profit and loss account.

8. Employee Benefits

Provident fund: Eligible employees receive benefits from a provident fund, which is a defined contribution plan managed by the Regional Provident Fund Commissioner. Both the employee and the Company make monthly contributions to the provident fund plan equal to 12% of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Gratuity: The Company provides for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan commenced on 1st April, 1997. The Plan provides a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's last drawn salary and the tenure of employment with the Company. The Company provides the gratuity benefit through annual contribution to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme the settlement obligation remains with the Company although the LIC administers the scheme. Liabilities related to the gratuity plan are determined by actuarial valuation performed by an independent actuary as at the Balance Sheet date.

Compensated Absences: Provision for compensated absence is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

9. Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value.

10. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period) and fringe benefit tax. The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

Provision for Fringe Benefit taxes has been recognised on the basis of harmonious contextual interpretation of the provisions of the Income Tax Act, 1961.

11. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss Account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

12. Export Incentives

Income in respect of duty credit entitlement arising from export sales under the "Serve From India Scheme" of the Government of India is recognised in the period of exports, provided there is no significant uncertainty regarding the entitlement and availment of the credit and the amount thereof.

13. Provisions, contingent liabilities and contingent assets

Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible

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obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

14. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

15. Leases

Assets taken on lease where the company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of minimum lease rental and other incidental expenses during the lease term or the fair value of the assets taken on lease. The rental obligations, net of interest charges, are reflected as secured loans. Initial direct costs incurred in connection with specific leasing activities directly attributable to activities performed by the Company for a finance lease are also capitalised. Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense as and when the payments are made over the lease term.

16. Employees stock options

In respect of stock option granted pursuant to the company's stock option schemes, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the options.

C NOTES TO ACCOUNTS

1. Amalgamation of Sify Communications Limited ('SCL' or the 'Transferor company') with the Company (also referred to as the 'Transferee company' in this context)

SCL was a 74% subsidiary of the Company and was primarily engaged in the IP/VPN business. Pursuant to the Scheme of arrangement ('the Scheme') for amalgamation as approved by the shareholders in the Court-convened meeting held on February 12, 2009 and subsequently sanctioned by the Honourable High Court of Madras on June 26, 2009, SCL was amalgamated with the Company with effect from April 1, 2008.

The key aspects of the Scheme are set out below:

a) With effect from the appointed date (April 1, 2008), the Undertaking of the Transferor company shall stand transferred to and vested in or deemed to have been transferred to or vested in the Transferee company pursuant to sections 391 and 394 of the Companies Act, 1956; the Undertaking of SCL being all its assets including properties, debtors, cash and bank balances, other interests, rights privileges benefits, entitlements, registrations etc and all its liabilities including debts, duties and obligations.

b) the Transferee company shall account for the merger in its books as per the "Pooling of Interest Method" of Accounting prescribed under the Accounting Standard 14 such that –

   i) All assets and liabilities recorded in the books of the Transferor company shall stand transferred to and vested in the Transferee company pursuant to the Scheme and shall be recorded by the Transferee company at their book values as appearing in the books of the Transferor company;

   ii) All reserves of the Transferor company shall be transferred to the identical reserves in the Transferee company, i.e. the balance in the Profit and Loss Account of the Transferor company will be transferred / adjusted to / against the Profit & Loss Account of the Transferee company.

c) As on the Appointed date and subject to any corrections and adjustments as may, in the opinion of the Board of Directors of the Transferee company be required, the reserves of the Transferor company will be merged with those of the Transferee company in the same form as they appear in the financial statements of the Transferor company.

d) In terms of the provisions of the Accounting Standard 14, any surplus / deficit arising out of Amalgamation shall be adjusted in the General Reserve of the Transferee company.

e) Further, in case of any differences in accounting policy between the companies, the impact of the same till the amalgamation will be quantified and adjusted in the Profit and Loss Account mentioned earlier to ensure that the financial statements of the Transferee company reflect the financial position on the basis of consistent accounting policy.

f) Inter-company loans, deposits or balances as between the Transferor company and the Transferee company shall be eliminated.

g) Accounting policies of the Transferor company will be harmonized with that of the Transferee company following the amalgamation.

h) a)Upon the Scheme coming into effect, in consideration of the transfer of and vesting of the Undertaking of the Transferor company in the Transferee Company in terms of this Scheme, the Transferee company shall, issue and allot Equity Share(s) of the face value of Rs.10/- each in the Transferee company, credited as fully paid up, to the Members of the Transferor company in the following ratio:

   9 (Nine) Equity Shares of Rs.10/- (Rupees Ten) each of the Transferee company for every 4 (Four) Equity Shares of Rs.10/ - (Rupees Ten) each of the Transferor company.

i) The investments in the share capital of the Transferor company appearing in the books of accounts of the Transferee company will stand cancelled;

The details of the consideration in respect of the amalgamation, assets, liabilities, reserves and balances taken over together with the

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adjustments carried out in accordance with the Scheme are as follows:

	Amount	Amount
A: Consideration in respect of amalgamation		
Issue of equity share pending allotment (10,530,000 equity shares in the ratio of 2.26 equity shares of the Company for every one share held by the minority shareholders of the erstwhile SCL) Also, refer note (a) below.		105,300
B: Net assets transferred		
Net book value of fixed assets other than goodwill		48,185
Current assets	727,145	
Less: Current liabilities and provisions (net of inter-company balance of Rs 150,200)	(302,532)	424,613
Goodwill of Rs.406,768 (refer note (b) below)		
Deferred tax asset of Rs. 7,846 (net)(refer note (d) below)		
C: Securities premium account of SCL		
D: Profit and loss account related		(610,000)
- Debit balance in the profit and loss account of SCL	52,788	
- Other adjustments on account of amalgamation (refer notes (b), (c) and (d) below)	924,514	977,302

Notes:

(a) Pending allotment as at March 31, 2009 the consideration amount of Rs. 105,300 has been shown under Shares pending allotment. Pursuant to the Scheme, the Company has allotted 10,530,000 Equity shares of Rs. 10/- each fully paid to the minority shareholders of the Sify Communications Limited on July 16, 2009.

(b) The carrying value of goodwill amounting to Rs. 406,768 as at the appointed date and that arose in the books of the erstwhile SCL pursuant to the acquisition of IP/VPN business from the Company during the year ended March 31, 2007 and taken over by the Company pursuant to the Scheme, has been adjusted to the balance in the profit and loss account with effect from the appointed date;

(c) As per AS 14, the difference between amount of the share capital issued (Rs 105,300) together with the value of the investment cancelled in the books of the Transferor company (Rs 584,600) and the amount of the share capital of the Transferor company (Rs 180,000) has been adjusted in the balance of profit and loss account.

(d) Deferred tax assets (net) amounting to Rs. 7,846 taken over from SCL, being doubtful of realisation, has been adjusted to the balance in the profit and loss account with effect from the appointed date as per the provisions of the Accounting Standarads 14.

2. Associates stock option plan (ASOP)

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by Management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999. The plan wise details are as follows:

(i) ASOP 2000 and 2002

The following table summarises the transactions of stock options under ASOP 2000 and ASOP 2002:

No. of options granted, exercised and forfeited	***For the Year ended***	
	March 31, 2009	***March 31, 2008***
Options outstanding at beginning of the year	–	6,250
Granted	–	–
Total	–	6,250
Less:		
Forfeited during the year	–	–
Exercised during the year	–	6,250
Lapsed during the year	–	–
Outstanding at the end of the year	–	–
vested and exercisable at the end of the year	–	–

(ii) ASOP 2005

In fiscal 2005, the Company instituted 2005 plan. The shareholders and the Board of Directors of the Company approved the plan on October 25, 2005 which provides for the issue of 1,900,000 ADR's / shares to eligible associates at an exercise price which is not less than 90% of the market price as on the date of the grant. The Compensation Committee administers the plan.

The exercise price is payable in Indian Rupees. The options vest over a period of 3 years from the date of the grant and are exercisable after the vesting date but before the expiry date which is at the end of the fortieth month from the date of the grant. The Company has also cancelled any balance available for issue under previous plans. Accordingly, any unissued options available under previous plans or any options surrendered or lapsed stands cancelled.

The following table summarizes the transactions of stock options under ASOP 2005

No. of options granted, exercised and forfeited	***For the Year ended***	
	March 31, 2009	***March 31, 2008***
Options outstanding at the beginning of the year	326,093	869,197
Granted during the year	–	119,400
Forfeited during the year	(29,167)	(122,442)
Expired during the year	(296,926)	(29,295)
Exercised during the year	–	(13,567)
Replaced during the year	–	(497,200)
Outstanding at the end of the year	–	***326,093***
Vested and Exercisable at the end of the year	–	235,010
Weighted Average Exercise Price in Rs	–	328.84
Remaining contractual year	–	0.57 to 1.07 years

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(iii) ASOP 2007

In September 2007, the Shareholders of the Company approved a new scheme for allotment of shares to employees i.e. Associate Stock Option Plan 2007. Consequently 797,600 unissued options available under the earlier Associate Stock Option Plan 2005 are no longer available for issuance.

The options vest in a graded manner over a period of 4 years as follows:

One sixth of the option quantity:	At the end of one year from the date of the grant.
Five sixths of the option quantity:	At the end of each quarter during the second, third and fourth year from the date of the grant in twelve equal instalments.

The options are to be exercised within a period of twelve months from the date of last vesting.

The following table summarises the transactions of stock options under ASOP 2007:

No. of options granted, exercised and forfeited	***For the Year ended***	
	March 31, 2009	***March 31, 2008***
Outstanding at the beginning of the year	1,200,400	–
Granted during the year	142,500	708,200
Replaced during the year	–	(123,900)
Replacement options granted	–	621,100
Forfeited during the year	(131,000)	(5,000)
Expired during the year	–	–
Exercised during the year	–	–
Outstanding at the end of the year	***1,211,900***	***1,200,400***
Vested and Exercisable at the end of the year	185,167	–
Weighted average exercise price in Rs.	152.51	157.35
Remaining contractual period	3.79 - 4.81 years	3.56 - 3.81 years

Modification

As the stock options issued under ASOP 2005 and ASOP 2007 had been out of money during the most time of the vesting period, the Company's compensation committee during the year ended March 31, 2008 allowed certain employees vide their approval dated January 22, 2008 to surrender their (a) unvested (b) vested and (c) unexercised stock options and obtain fresh options at a discount of 10% of the market price under ASOP 2007 prevalent at the date of modification in lieu of the surrendered stock options. This modification resulted in the revision in the exercise price as well as the service period over which the stock options vest. Consequent upon modification, 497,200 stock options of ASOP 2005 plan and 123,900 stock options of ASOP 2007 plan were replaced with an allotment of equal number of fresh options to those who surrendered.

The incremental intrinsic value of the stock options replaced was determined by reference to the difference between the intrinsic value of the replaced stock options and the net intrinsic value of the cancelled stock options at the date of grant of new stock options.

The incremental intrinsic value as a result of such modification in respect of vested and unvested options amounted to Rs 2,040 and Rs 8,816 respectively. In respect of modification that has occurred during the vesting period, the incremental intrinsic value is included in the measurement of the amount recognised, for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date intrinsic value of the original equity instruments, which is recognised over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental intrinsic value granted is recognised immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

(iv) Proforma disclosure

The Company measures the compensation cost relating to the stock option using the intrinsic value method. The compensation cost is amortised over the vesting period of the stock option. The Company has accounted for the ESOP granted under ASOP 2005 and 2007 as per The Guidance Note on Employee Share Based Payments, dated 4 February 2005 issued by the Institute of Chartered Accountants of India. Accordingly, the Company has amortised an amount of Rs.13,871 (Net) and Rs.14,532 (Net) towards stock expense for the years ended March 31, 2009 and 2008 respectively.

Had the compensation cost for the options been recognised based on the fair value at the date of grant in accordance with Black Scholes' model, the proforma amounts of the Company's net profit and earnings per share would have been as follows:

	For the Year ended	
	March 31, 2009	***March 31, 2008***
Net profit / (loss) - as reported	(789,173)	(215,586)
Add: Stock based compensation expense included in reported net profit/(loss)	13,871	14,532
Less: Stock based compensation expense determined under fair value method	(61,381)	(56,410)
Pro forma net profit / (loss)	***(836,683)***	***(257,464)***
Loss per share:		
Number of shares - Basic	53,880,320	42,877,726
Profit / (loss) per share - reported	(14.65)	(5.03)
Profit / (loss) per share - proforma	(15.53)	(6.00)

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

Particulars	***For the Year ended March 31, 2009***	***For the Year ended March 31, 2008***
Dividend yield	-	-
Assumed volatility	53.50%-120%	53.83% -77.82%
Risk-Free interest rate	1.64%-3.45%	2.50% -7.50%
Expected term	18-54 months	18-54 months

3. Financial and Derivative instruments

The details of outstanding option/forward contracts as of March 31, 2009 and as of March 31, 2008 are given below :

Particulars	***Currency***	***As at March 31, 2009***	***As at March 31, 2008***
Forward contracts - Sell	USD (thousands)	-	4,750
Options - Put	USD (thousands)	4,000	-
Options - Call	USD (thousands)	500	-
(Gain) / Loss on marked to market in respect of options / forward contracts outstanding		-	2,513

(All amount are in Indian Rupees thousands except share data and as stated)

The details of un-hedged foreign currency exposure as on 31 March 2009 is as follows:

	As at 31 March, 2009		
	Foreign Currency	*Foreign Currency Equivalent*	*INR Equivalent*
Amounts receivable in foreign currency on account of			
Debtors	CAD	301	12,251
	CHF	161	7,207
	EUR	2	113
	GBP	91	6,600
	SGD	16	526
	USD	1,520	77,429
		2,091	104,126
Amounts payable in foreign currency on account of			
Creditors	EUR	15	1,025
	GBP	14	1,053
	SGD	26	872
	USD	2,890	147,232
	HKD	6	42
		2,951	150,224

4. Employee Benefits

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Particulars	*For the Year ended March 31, 2009*	*For the Year ended March 31, 2008*
Projected benefit obligation at the beginning of the year	27,332	20,785
Service cost	12,067	8,533
Interest cost	3,038	1,639
Actuarial (gain)/ loss	3,663	2,393
Benefits paid	(2,710)	(6,018)
Projected benefit obligation at the end of the year	***43,390***	***27,332***

Change in the fair value of assets

Fair value of plan assets at the; beginning of the year	18,740	8,423
Actual return on plan assets	1,674	957
Actuarial (gain) / loss	(684)	(423)
Employer contributions	11,288	15,801
Benefits paid	(2,710)	(6,018)
Fair value of plan assets at the end of the period	***28,308***	***18,740***

Amount recognized in balance sheet

Present Value of Projected benefit obligation at the end of the year	43,390	27,332
Funded status of the plans	28,308	18,740

Particulars	*For the Year ended March 31, 2009*	*For the Year ended March 31, 2008*
Expense recognised in statement of profit and loss account		
Service cost	12,068	8,533
Interest cost	3,038	1,639
Expected returns on plan assets	(1,674)	(957)
Recognized net actuarial (gain)/ loss	4,347	2,816
Net gratuity costs	***17,779***	***12,031***
Actual return on plan assets	***990***	***534***

Summary of Actuarial assumptions

Discount rate	7.95% P.a	7.85% P.a
Expected rate of return on plan assets	8.00% P.a	7.50% P.a
Salary escalation rate	8.00% P.a	6.00% P.a
Average future working life time	10.99 years	10.23 years

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

5. Segment reporting

(All amount are in Indian Rupees thousands except share data and as stated)

The Company's operations predominantly relate to connectivity to enterprises and providing Internet access to retail subscribers (both home access and public access). The Company also operates the portals, "Sify.com","Samachar.com", and "SifyMax.in" that provides a variety of India-related content to audiences both in India and abroad, and which generates revenue from advertisements and other value added services.

The primary operating segments of the Company are:

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

Accordingly, revenues represented by nature of service rendered comprise the primary basis of segmental information.

Bandwidth costs, which form a significant part of the total expenses, are of three kinds – international, inter-city and last mile. These are allocated primarily between the corporate network/data services and internet access services businesses as described below:

- The international bandwidth refers to bandwidth that is required for access to sites and offices outside the country. For all these businesses, bandwidth is allocated based on actual utilisation captured by monitoring traffic per IP pool assigned, at the egress points. The Company has packet shapers in the main locations to monitor bandwidth use by each of the above categories of users. This information is used in determining norms like bandwidth per port and bandwidth per PC.

- The national bandwidth refers to the inter-city link bandwidth implemented within the country. Inter city bandwidth is allocated based on the number of subscribers or e-port cafes at "non gateway" points and the bandwidth sold to and used by business enterprises (determined using packet shapers). However, due to strategic reasons aimed at furthering the corporate business, the national backbone was enhanced to carry traffic to the international fibre gateways moving away from its hybrid satellite and fibre gateways to only fibre gateways for international bandwidth. Local exit of international traffic through the satellite gateways has reduced and this traffic has been loaded onto the national backbone. National bandwidth costs are now allocated based on international bandwidth allocation ratios. Since most of the traffic carried on the national backbone is finally aimed towards the international gateways, the Company believes that the allocation on this basis is more appropriate.

- The national bandwidth refers to the inter-city link bandwidth implemented within the country. Inter city bandwidth is allocated based on the number of subscribers or e-port cafes at "non gateway" points and the bandwidth sold to and used by business enterprises (determined using packet shapers). However, due to strategic reasons aimed at furthering the corporate business, the national backbone was enhanced to carry traffic to the international fibre gateways moving away from its hybrid satellite and fibre gateways to only fibre gateways for international bandwidth. Local exit of international traffic through the satellite gateways has reduced and this traffic has been loaded onto the national backbone. National bandwidth costs are now allocated based on international bandwidth allocation ratios. Since most of the traffic carried on the national backbone is finally aimed towards the international gateways, the Company believes that the allocation on this basis is more appropriate.

- Last mile costs in the dial up access (E1/R2 costs) and spectrum fees for wireless connectivity that can be directly identified to the businesses are allocated directly.

Certain expenses, like depreciation and overheads incurred by the support functions including finance, human resources, administration, technology and corporate, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not feasible to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as "unallocated expenses" and adjusted only against the total income of the Company.

(All amount are in Indian Rupees thousands except share data and as stated)

A significant part of the fixed assets used in the Company's business are not identifiable exclusively to any of the reportable segments and can be used interchangeably between segments. Management believes that it is not feasible to provide segment disclosures relating to total assets since a meaningful segregation of the available data is onerous.

Business segment

The Company's operating segment information for the year ended March 31, 2009 is presented below:

Particulars	*Corporate Network / Data Services*	*Internet Access Services*	*Online Portal Services and Content Offerings*	*Subtotal (D)*	*Others*	*Total*
	(A)	*(B)*	*(C)*	*(B+C)*	*(E)*	*(A)+(D)+(E)*
Revenues	4,305,214	1,128,182	177,324	1,305,506	551,441	6,162,161
Allocable expenses	(2,822,067)	(1,288,992)	(220,968)	(1,509,960)	(466,865)	(4,798,892)
Segment operating income / (loss)	1,483,147	(160,810)	(43,644)	(204,454)	84,576	1,363,269
Unallocable expenses						(1,639,322)
Operating loss						(276,053)
Other income						89,513
Foreign Exchange Gain / (Loss), net						15,416
Income / (loss) before interest, depreciation and provision for advances / losses in subsidiaries / investments, prior period income and tax						(171,124)
Interest income / (expense), net						(82,139)
Depreciation / amortization and provision for advances / losses in subsidiaries / investments						(516,030)
Prior period income						–
Income Taxes						(19,880)
Net profit after taxes'						***(789,173)***

The Company's operating segment information for the year ended March 31, 2008 is presented below:

Particulars	*Corporate Network / Data Services*	*Internet Access Services*	*Online Portal Services and Content Offerings*	*Subtotal (D)*	*Others*	*Total*
	(A)	*(B)*	*(C)*	*(B+C)*	*(E)*	*(A)+(D)+(E)*
Revenues	2,627,414	1,545,226	210,766	1,755,992	257,035	4,640,441
Allocable expenses	(1,867,745)	(1,434,984)	(299,035)	(1,734,019)	(209,034)	(3,810,798)
Segment operating income / (loss)	759,669	110,242	(88,269)	21,973	48,001	829,643
Unallocable expenses						(988,244)
Operating loss						(158 ,601)
Other income						212,267
Foreign exchange gain / (loss), net						(17,959)
Income / (loss) before interest, depreciation and provision for advances / losses in subsidiaries / investments, prior period income and tax						35,707
Interst income / (expenses), net						137,342
Depreciation / amortization and provision for advances / losses in subsidiaries / investments						(392,716)
Prior period income						20,905
Income taxes						(16,824)
Net loss after taxes						***(215,586)***

Geographical segment

(All amount are in Indian Rupees thousands except share data and as stated)

The Company has operations within India as well as well as in other countries. The operations in India constitute the major part of the operations. Management has reviewed the geographical areas vis-à-vis the risks and returns that encompass them. While arriving at this, management has reviewed the similarity of the economic and political conditions, relationships between operations in these geographical areas, proximity of operations, and special risks if any associated with operations in these areas. Revenues are attributable to individual geographic segments based on the location of the customer. Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Company's geographical segment information for the year ended March 31, 2009 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	5,071,137	1,091,024	6,162,161
Net Carrying amount of segment fixed assets by location of assets	3,310,722	50,060	3,180,782
Net Carrying amount of other segment assets by location of customer	4,713,150	307,333	5,020,483
Cost to acquire tangible and intangible assets by location of customers	1,460,768	-	1,460,768

The Company's geographical segment information for the year ended March 31, 2008 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	4,176,077	464,364	4,640,441
Net Carrying amount of segment assets by location of assets	2,108,081	73,309	2,181,390
Net Carrying amount of other segment assets by location of customers	4,067,337	253,204	4,320,541
Cost to acquire tangible and intangible assets by location of customers	809,277	-	809,277

6. Leases

The Company has taken vehicles and plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2009 and as of March 31, 2008 are as follows:

Minimum lease payments	*As at March 31, 2009*	*As at March 31, 2008*
Payable not later than one year	48,663	3,342
Payable later than one year and not later than five years	130,963	2,657
Total	***179,626***	***5,999***
Less: Amounts representing interest	26,544	608
Present value of minimum lease payments	***153,082***	***5,391***
Payable not later than one year	36,619	2,898
Payable later than one year and not later than five years	116,463	2,493

The Company, which is a dealer lessor, has leasing arrangement for leasing various types of routers, modems and other equipment for setting up virtual private network and providing bandwidth to its customers in its corporate connectivity business. The Company recognises the sale transaction in the statement of profit and loss in accordance with the terms of the underlying agreements and the initial direct cost as expenses as incurred. Gross Investment in such leases as at March 31, 2009 and as of March 31, 2008 and minimum lease payments are as follows:

Gross investments	*As at March 31, 2009*	*As at March 31, 2008*
Receivable not later than one year	–	7,275
Receivable later than one year but not later than 5 years	–	5,430
Total	–	***12,705***
Less: Amount representing interest (Unearned finance income)	–	675
Present value of minimum lease payments	–	***12,030***
Receivable not later than one year	–	5,101
Receivable later than one year but not later than five years	–	6,929

7. Related party transactions

(i) The related parties where control exists are the subsidiaries. Related parties where control / significant influence exists or with whom transactions have taken place during the year are given below.

Subsidiaries	Sify Communications Limited (till March 31, 2008); Sify International Inc. (formerly known as India Plaza.com Inc.); India World Communications Limited (voluntarily wound up during the year); Sifty Americans Inc. (wound up on April 4, 2008); Globe Travels Inc., United States (wound up on April 17, 2008) and Sify Networks Private Limited (formerly E Alcatraz Consulting Private Limited).
Associates	MF Global-Sify Securities India Private Limited; and Cricinfo Limited (voluntarily wound up during the previous year).
Others	Server Engines LLC, USA; Server Engines India Private Limited; VALS Developers Private Limited; and Infinity Satcom Universal Private Limited.
Key management personnel and relatives of key management personnel	Raju Vegesna, Chairman and Managing Director. Anand Raju Vegesna, Executive Director.

(All amount are in Indian Rupees thousands except share data and as stated)

(ii) Particulars of related party transactions

The following is a summary of significant related party transactions:

For the year ended March 31, 2009	*Subsidiaries*		*Associate*	*Others*	
	Sify International Inc.	*Others*	*MF Global-Sify Securities India Private Limited*	*VALS Developers Private Limited*	*Others*
Sales	-	-	6,600	-	734
Advance lease rentals and refundable deposit made	-	-	-	282,825	
Other advances (net)	2,261	(749)	-	-	-
Balances with related parties					
Advance lease rentals and refundable deposit made	-	-	-	282,825	-
Advances recoverable	191,375	3,534		-	-
Amounts provided	(191,375)	(3,534)		-	-
Debtors	-	-	524	-	174
Advances written off		9,064	-	-	-
Provision written back on advances		(9,064)	-	-	-

For the year ended March 31, 2008	*Subsidiaries*			*Others*	
	Sify Communications Limited	*Sify International Inc*	*Others*	*Infinity Satcom Universal Pvt. Ltd.*	*Others*
Purchases	4,601	-	-	-	3,796
Other advances (net)	(472,829)	1,985	-	-	-
Expenses Recovered	737,082	-	-	-	-
Other income	181,210	-	-	-	-
Corporate Guarantees given	483,616	-	-	-	-
Balances with related parties					
Advances recoverable from	-	189,114	13,347	-	-
Amounts provided	-	(189,114)	(12,598)	-	-
Debtors	150,200	-	-	-	-
Amounts receivable from	-	-	-	448,595	-

The Company does not pay any remuneration to managerial personnel. Details of payments to other directors are given in note 10 below.

8. Legal proceedings

(i) 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

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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.

The parties have filed a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The District Court issued a preliminary order approving the global settlement of the IPO laddering cases. The Court issued its opinion and order preliminarily approving the settlement agreement. The Settlement Fairness Hearing has been fixed on September 10, 2009. The Court on that date will issue an order either granting or denying final settlement approval and dismissing the case if final approval is granted. Any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. The Company believes that it has sufficient insurance coverage to cover the maximum amount that it may be responsible for under the proposed settlement. The Company believes, the maximum exposure under this settlement is approximately U.S.$ 338,983, an amount which the Company believes is fully recoverable from the Company's insurer.

(ii) Sify is party to additional legal actions arising in the ordinary course of business. Based on the available information, as at March 31, 2009 Sify believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect on Sify. However in the event of adverse judgment in all these cases, the maximum financial exposure would be Rs. 9,200 (As at March 31, 2008 Rs. 9,491).

9. Commitment and contingencies

- The Company has given corporate guarantees, as at March 31, 2009 amounting to Rs. Nil (As at March 31, 2008 Rs. 483,616) to the bankers in respect of non-funded facility availed by the erstwhile subsidiary Company - Sify Communications Limited.
- Contracts pending to be executed on capital account as at March 31, 2009 and not provided for (net of advances: Rs. 177,183) amounted to Rs. 322,607 [as at March 31, 2008: Rs. 618,541 (net of advances: Rs. 507,157)].
- Service tax claims against the Company not acknowledged as debts as at March 31, 2009 amounts to Rs.19,637 (As at March 31 2008 Rs. 95,190)
- Sales tax claims against the Company not acknowledged as debts as at March 31, 2009 amounts to Rs. Nil (As at March 31 2008 Rs. 12,910)
- In respect of contingencies arising on legal proceedings, refer to note C (8) of Schedule 20.

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
10. Payments to directors (other than managing director and executive director)		
Sitting Fees	1,220	1,320
Consultancy fees	240	240
11. Auditors remuneration *(included under legal and professional charges)*		
Audit fees	2,310	2,310
Other charges		
- Taxation matters	-	-
- Other matters	2,190	2,190
Reimbursement of out of pocket of expenses	500	430
12. Expenditure in foreign currency on cash basis		
Networking costs/ Communication expenses	295,615	151,870
Travel	17,897	25,965
Legal and professional charges	125,322	192,881
Personnel expenses	7,175	16,647
Printing & Stationery	6,026	917
Direct costs	77,094	80,201
Content Development cost	1,882	3,036
Marketing promotion expenses	1,072	1,045
Others	192,613	36,667
13. Value of imports on CIF basis		
Software / Hardware imported	83,680	10,926
Fixed assets	325,711	316,695
14. Earnings in foreign currency on cash basis		
Service income	1,265,055	629,235
Interest income	-	7,493

15. Dues to Micro and small enterprises

Based on the information received and available, the management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the Act"). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2009 has been made in the financial statements based on the information received and available with the Company. There are no overdue amounts payable to such enterprises as at March 31, 2009.

(All amount are in Indian Rupees thousands except share data and as stated)

16. Quantitative information

Particulars	For the year ended March 31, 2009		For the year ended March 31, 2008	
	Qty	Value	Qty	Value
Opening stock				
- Hardware	8,737	32,953	2,969	22,816
- Software	37	2,067	122	1,423
Acquired on amalgamation				
- Hardware	6,295	2,731	–	–
Purchases				
- Hardware	148,834	381,196	167,355	527,099
- Software	15,735	207,055	2,878	154,921
Sales				
- Hardware	157,322	410,779	160,714	553,632
- Software	15,152	215,076	2,963	180,287
Captive consumption				
- Hardware	539	7,363	873	9,947
- Software	–	–	–	–
Closing stock				
- Hardware	6,005	34,825	8,737	32,953
- Software	620	4,263	37	2,067

1. Sales include sale of products through e-commerce; and
2. Quantity of software is measured by number of packages.

17. Taxes

The Finance Act, 2007 has introduced Fringe Benefit Tax (FBT) on employee stock options. The difference between the fair value of the underlying share on the date of vesting and the exercise price paid by the employee is subject to FBT. The Company will recover such tax from the employee. The Company's obligation to pay FBT arises only upon the exercise of stock option and hence the FBT liability and the related recovery will be recorded at the time of the exercise.

18. Setting off of profit and loss account debit balance against securities premium account

Pursuant to the approval of the shareholders of the Company at the eleventh annual general meeting held on September 24, 2007 and confirmation by the Honourable High Court of Madras vide its Order dated December 13, 2007, accumulated losses of Rs. 11,626,401 as on April 1, 2007 has been adjusted against the balance in the securities premium account during the previous year ended March 31, 2008.

19. Surrender of leasehold land

The Company had during the year ended March 31, 2008 taken on lease 16.97 acres of land from Electronics Corporation of Tamil Nadu (ELCOT) for a period of 90 years. The Company had paid a sum of Rs. 555,616 as refundable security deposit towards such land. During the year ended March 31, 2009, the Company has surrendered the land taken on lease to the extent of 11.42 acres with ELCOT. ELCOT refunded the proportionate amount of the refundable deposit relating to 11.42 acres amounting to Rs. 374,576. On March 28, 2009, the Company made a further request to ELCOT to consider the option of surrendering the balance 5.55 acres of the land as well. The Company is confident of obtaining the refund relating to the 5.55 acres of proposed to be surrendered from ELCOT.

20. Share purchase agreement with Infinity Satcom Universal Private Limited

The Company had entered into a Share Purchase Agreement with Infinity Satcom Universal Private Limited ("Infinity Satcom") for issuance of 12,817,000 equity shares of the Company with face value of Rs.10/- per share at a premium of Rs.165/- per share. It was approved by the Company's shareholders at the extra ordinary general meeting held on March 17, 2008. Infinity Satcom is controlled by Mr Ananda Raju Vegesna, Executive Director, and a relative of Mr Raju Vegesna, Chairman and Managing Director.

The Company had received a sum of Rs.112,149 (comprising of Rs.12,817 towards face value and Rs.99,332 towards securities premium) and had called up a sum of Rs. 448,595 (comprising of Rs.25,634 towards face value and Rs.422,961 towards securities premium) during the year ended March 31, 2008. Such sums called up amounting to Rs.448,595 were not due as at March 31, 2008. Infinity Satcom had communicated to the Company vide their letter dated August 27, 2008 that they would focus their attention on the business of Sify Communications Limited and hence shall not contribute the allotment money as well as the balance money towards the subscription of 12,817,000 equity shares, as and when it is called.

In view of the above, on August 29, 2008, the Board of Directors passed a resolution forfeiting the 12,817,000 equity shares allotted to Infinity Satcom. Accordingly, the amount of Rs. 112,149 (comprising Rs. 12,817 towards face value and Rs. 99,332 towards securities premium) has been forfeited.

21. Reversal of provision for share issue expenses

Provision made towards share issue expenses and debited to the securities premium account in the previous years amounting to Rs. 6,570, has been written back and credited to the securities premium account as management believes that it is no longer payable.

(All amount are in Indian Rupees thousands except share data and as stated)

22. Prior year comparatives

The current year figure include the figures of Sify Communications Limited and hence are not directly comparable to those of the previous year. Previous year's figures have been regrouped wherever necessary to conform to current year classification .

For and on behalf of Board of Directors

C B Mouli	***Ananda Raju Vegesna***	***Raju Vegesna***
Director	Executive Director	Chairman & Managing Director
Hyderabad	***M P Vijay Kumar***	***V Ramasubramanian***
August 12, 2009	Chief Financial Officer	Company Secretary

(All amount are in Indian Rupees thousands except share data and as stated)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	For the year ended March 31, 2009	For the year ended March 31, 2008
Cash Flows from Operating Activities		
Loss before taxation	(769,293)	(198,762)
Adjustments for:		
Depreciation, amortisation and impairment	508,000	389,096
Financial expenses (considered separately)	199,069	26,175
Decline in the value of current investments	4,805	1,636
Bad Debts written off	-	9,049
Provision for doubtful debts	91,276	90,642
Provision for advances	3,225	1,984
Employee stock compensation expense	13,871	14,532
Unrealised foreign exchange fluctuation (gain)/loss, net	(455)	1,027
Duty Credit Entitlement	(79,278)	(46,437)
Interest income (considered separately)	(116,930)	(149,318)
(Profit)/Loss on sale of fixed assets, net	(828)	107
Operating Profit before working capital changes	***(146,538)***	***139,731***
Adjustment for:		
Decrease/(increase) in sundry debtors	(97,543)	(669,987)
(Increase)/decrease in inventories	(1,337)	(10,781)
(Increase)/decrease in loans and advances	(47,903)	(731,559)
(Decrease)/increase in current liabilities and provisions	(12,612)	212,140
Cash flow (used in)/from operating activities	***(305,933)***	***(1,060,456)***
Taxes paid	(111,725)	(16,824)
Net cash flow (used in)/from operating activities - (A)	***(417,658)***	***(1,077,280)***
Cash flow from investing activities		
Purchase of fixed assets and changes in capital work-in-progress	(1,345,551)	(874,801)
Sale proceeds of fixed assets	2,389	2,407
Advance to / from subsidiaries (net)	-	268,831
Interest income received	154,493	116,259
Investment in mutual funds	-	(20,315)
Net cash (used in)/from investing activities - (B)	***(1,188,669)***	***(507,619)***
Cash flow from financing activities		
Proceeds from issuance of share capital	-	116,812
Loans availed (net of repayment and includes loans availed against fixed deposits)	2,007,234	(25,937)
Other Loans availed	-	3,753
Repayment of loans	(1,561)	(4,508)
Investment in finance leases	-	(16,478)
Interest paid	(195,073)	(26,175)
Net cash from / (used in) financing activities - (C)	***1,810,600***	***47,467***
Effect of exchange differences on translation of cash and cash equivalents - (D)	***(945)***	***(98)***
Net increase/(decrease) in cash and cash equivalents during the year (A+B+C+D)	***203,328***	***(1,537,530)***
Cash and cash equivalents at the beginning of the year	1,347,175	2,884,705
Cash and Cash equivalents taken over as per the scheme of amalgamation	159,841	-
Cash and cash equivalents at the end of the year	***1,710,344***	***1,347,175***
Cash and cash equivalents subject to lien	1,329,756	870,500

for ***B S R & Co.***
Chartered Accountants

For and on behalf of the Board of Directors

S Sethuraman
Partner
Membership No: 203491

C B Mouli
Director

Raju Vegesna
Chairman & Managing Director

Anand Raju Vegesna
Executive Director

Hyderabad
August 12, 2009

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Balance Sheet Abstract and General Profile of the Company under Part IV to Schedule VI of the Companies Act, 1956

1. Registration details	
Registration no.	50809
State code	18
Balance Sheet date	March 31, 2009
II. Capital raised during the period (including premium)	(Amount in Rs. 000's)
Public issue	–
Rights issue	–
Bonus issue	–
Private placement (including premium)	105,300
III. Position of mobilization and deployment of funds	
Total Liabilities	10,699,915
Total Assets	10,699,915
Source of Funds	
Paid-up capital	546,318
Reserves and surplus	5,162,577
Secured loans	2,934,379
Unsecured loans	–
Application of Funds	
Net fixed assets	3,543,566
Investments	168,782
Net current asssets	2,996,329
Miscellaneous expenditure	–
Accumulated loss	1,967,084
IV. Performance of the Company	
Turnover	6,384,020
Total expenditure	7,153,313
Profit/(Loss) before tax	(769,293)
Profit/(Loss) after tax	(789,173)
Earnings per share in Rs.	(14.65)
Dividend %	–
V. Generic names of three principal products / services of the Company (as per monetary terms)	
Item code no. (ITC Code)	
Product description	Internet Service Provider

For and on behalf of the Board of Directors

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Hyderabad
August 12, 2009

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Sify Technologies Limited

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to the Subsidiary Companies

Rs in Thousands

Name of the Subsidiary Company	Sify Networks Private Limited	Sify International Inc.
Financial year of the subsidiary ended on	March 31, 2009	Marach 31, 2009
Shares of subsidiary company held on the above date and extent of holding		
i) Equity Shares	81,820 of Rs.10/- each	100
ii) Extent of holding (%)	100%	100%
Net aggregate amount of profits / (losses) of the subsidiary for the above financial year so far as they concern members of Sify Technologies Limited		
i) Dealt with in the accounts of Sify Technologies Limited	Nil	Nil
ii) Not dealt in the accounts of Sify Technologies Limited	Nil	(1,827)
Net aggregate amount of profits / (losses) of the subsidiary for the previous financial years so far as it concern members of Sify Technologies Limited		
i) Dealt with in the accounts of Sify Technologies Limited	Nil	Nil
ii) Not dealt in the accounts of Sify Technologies Limited	(73,672)	(2,149)

Hyderabad	***C B Mouli***	***Ananda Raju Vegesna***	***Raju Vegesna***	***M P Vijay Kumar***	***V Ramasubramanian***
Ausgust 12, 2009	Director	Executive Director	Chairman & Managing Director	Chief Financial Officer	Company Secretary