sify

Integrated Report **2016**

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Stock of capital	What Sify has done	Sify's value creation	Sify's stakeholder's perspective
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Summary

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Stock of capital	What Sify has done	Sify's value creation	Sify's stakeholder's perspective
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Stock of capital	What Sify has done	Sify's value creation	Sify's stakeholder's perspective
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Stock of capital	What Sify has done	Sify's value creation	Sify's stakeholder's perspective
■ Sify's brand	■ Brand Management	■ Improved go to market strategies	■ Customer's and supplier's satisfaction
■ Contribution to Corporate Social Responsibility (CSR)	■ Stakeholders engagement	■ Reputation	■ Awarded 'Most Promising Brand' in IT
■ Relationship with stakeholders (suppliers, customers, communities and governments)	■ Strategic partnerships	■ Competitive advantage	■ Brand value
	■ Quality of services	■ 5000+ clients across industries	■ Conferred ' CIO 'Choice Award for managed network solutions
		■ Customer retention	■ Increased acceptance by customers, leading to improved brand recognition
		■ Supplier reliability	■ Awarded best Technology for Social Cause (by Department of Posts)
			■ Conferred Golden Peacock Award for business excellance and best management practices

About this Report

PREFACE

This is a first attempt at compiling an Integrated Report for Sify Technologies. While the report might not be comprehensive in event, care has been exerted in being scientific, systematic and truthful about the facts presented thus far on behalf of Sify.

SYNOPSIS

This integrated report is Sify Technologies Limiteds' (Sify, the Group or the Company) primary communication to shareholders and other stakeholders interested in Sifys' ability to ensure a sustainable business in the future. It explains who we are, how we are governed, our operating context, how we create value and how we implement our strategy to ensure Sifys' long term viability and relevance. It also records Sifys' performance and prospects.

The scope of this report includes Sify and our operating subsidiaries unless stated otherwise.

The matters we highlight in this report are deliberated upon by our leadership throughout the year. Our Integrated Reporting process support 'Integrated thinking' which, in turn, provides the basis for this report. The focus of this report is on aspects that are most material to our stakeholders and also provides an overview of our business opportunities.

The contents of this report also address key developments and material matters for the fiscal year ended March 31, 2016. It provides insight into factors that influence our strategy and determine our strategic priorities. It offers commentary on performance measures and prospects for the Group's strategy and main operations.

When determining material matters, we consider the size and contribution of each business unit.

The Group's main accountability instruments are the Annual Operating Plan, Annual Report, Quarterly Reports, Annual Financial Statements and any other information that may be requested by the shareholders from time to time.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Integrated Report are forward looking statements which Sify believes are reasonable and take into account information available up to the date of this Integrated Report. Results could, however, differ materially from those set out in the forward looking statements as a result of, amongst other factors, changes in economic and market conditions, changes in regulatory environment and fluctuations in commodity prices and exchange rates. As a result, these forward looking statements are not guarantees of future performance and are based on numerous assumptions regarding Sify's present and future business model, strategy and the environment in which it operates.

About this Report

SYNOPSIS

The adoption of Integrated Reporting principles is an evolutionary process and it may take a number of years to fully implement the principles and achieve the desired level of reporting.

This report, the product of our first year of Integrated Reporting, lists out Sifys' evolution as a company, describes its various businesses and changes in business model over the years.

This Report is supported by more comprehensive data avaialble from Sify's Annual Report located at http://www.sifycorp.com/financials.html. It includes the detailed Annual Statutory Financial Statements prepared under Ind AS and Annual Report in form 20F filed with Securities Exchange Commission (SEC) for the year ended March 31, 2016. This report has been prepared on a voluntary basis and is not certified.

Letter from Chairman

RAJU VEGESNA

> *In the coming years, Companies will shift to buying ITES services on a subscription model, primarily to release valuable Capex and also insulate themselves against constant changes in the IT landscape.*

Dear Stakeholders,

In financial year 2015-16, Sify delivered yet another good performance taking us closer to achieving the objective as set out by Sify 3.0. The collective effort and tireless performance of our associates enabled Sify to achieve this feat.

Business Highlights and the Road Ahead

Sify posted total revenue of Rs 151,868 lakhs with profit of Rs 4,383 lakhs for the financial year. This performance is the result of our carefully and effectively managed business transformation, driven by the accelerated growth in Telecom, Cloud and Managed services and Technology Integration services business.

As customer preference shifts toward the services model, Sify's business results evolve as well. The transition results in increased revenue predictability and resultant margins over the long term.

Overall, our 2015-16 performance was driven by our people through sustained relationship with customers amidst business challenges and competition.

Sify enjoyed a strong and successful financial year, but we have set ourselves new goals and remain restless in our drive to shape the future arising out of Telecom Services, Data Center services, Cloud and Managed services, Applications Integration Services and Technology Integration Services.

This Report

We invite all stakeholders to explore our Integrated Report 2015-16 to learn more about Sify's business strategy and performance. But we also believe in complete transparency, which is why you'll also find extensive information about our governance and business model and how Sify 3.0 will help achieve our business goals. It's no longer enough for great companies to be financially and operationally sound. In the coming years, Companies will shift to buying ITES services on a subscription model, primarily to release valuable Capex and also insulate themselves against constant changes in the IT landscape. In this spirit, the Sify Integrated Report aims to be a role model.

Sify, our associates, and our ecosystem are united in dedication to our customers. We see a future where every customer can benefit out of our business through higher value addition which inspires us to continue leading in 2016-17 and beyond. We welcome your interest and feedback.

Raju Vegesna
Chairman and Managing Director
April 22, 2016

Management & Governance Bodies

BOARD OF DIRECTORS

The Board of Directors functions as the supervisory and controlling body for the company. The Board with its exclusive jurisdiction over policies and strategies of the company guides and leads in every phase.

Mr. Raju Vegesna
Chairman and Managing Director

Mr Raju holds a degree in Electrical Engineering from the University of Bangalore and Masters in Computer Engineering from Wayne State University, USA. He was the founder of two leading edge technology companies including Server Networks Corporation. He is presently a director of Raju Vegesna Infotech and Industries Private Limited.

Dr. Siripurapu Kesava Rao
Director

Mr Rao holds a degree in PhD Economics from Trinity College, Cambridge, UK. He was the Director General of the Administrative Staff College of India (ASCI), a management training institution for in-service administrators and managers of the public and private sectors. He was earlier the Economic Adviser to the Ministry of Commerce, New Delhi.

Mr Rao also served in the Economic Affairs Division at the Commonwealth Secretariat in London in various diplomatic capacities. He also acted as the Consultant for the United Nations and represented the Commonwealth Secretariat as an Observer at the meetings of the UN General Assembly.

He is the member of the governing bodies of the National Institute of Public Finance, New Delhi, and the National Police Academy, Hyderabad, India.

Mr. Ananda Raju Vegesna
Executive Director

Mr Ananda is the Director of Infinity Satcom Universal Private Limited, Village Inns (India) Limited, Raju Vegesna Infotech and Industries Limited, Raju Vegesna Developers Private Limited, Ramanand Core Investment Company Private Limited, and Server Engines India (Private)Limited.

Dr. T H Chowdary
Director

Dr Chowdary runs the Centre for Telecommunication Management and Studies in Secunderabad. He is the senior member of the IEEE, New York, Fellow of the Institution of Engineers (India) and a distinguished fellow of the Institute of Electronics and Telecom Engineers (India). Dr Chowdary is a Director of Softsol India Limited and Tera Software Limited.

Dr Chowdary has held key positions in the ITU, Intelsat and other international Telecommunications organizations during the course of his career.

An active philanthropist, valued mentor and prolific author of several books and thesis on Telecom, Dr Chowdary served as a member in the Governing Body of the University College of Engineering (Autonomous), Osmania University and American Studies Research Centre (ASRC), Hyderabad.

BOARD OF DIRECTORS

Mr. C B Mouli
Director

Mr Mouli is a member of the Institute of Chartered Accountants of India and also holds a Bachelor of Law Degree. He is a partner of C.B. Mouli & Associates, a Chartered Accountants firm, Director on the Board of Ammana Bio Pharma Limited and Ammana Equity Fund Private Limited.

Mr. C E S Azariah
Director

Mr Azariah served as CEO of Fixed Income Money Market and Derivatives Association of India (FIMMDA). He has vast experience of more than 35 years in different segments of operations in State Bank of India and retired as its Chief General Manager.

At FIMMDA, he was a Member of the "High Power Committee on Corporate Bonds and Securitization "(R.H.Patil Committee). He set up the Corporate Bond Trade Reporting Platform and drafted "FIMMDA's Code of Conduct" which has since been mandatorily used by all market participants.

Mrs. Bala Vegesna
Director

A Commerce graduate, Mrs Bala Vegesna served as Finance Controller of ServerWorks Corp and is presently the Director of the Raju Vegesna foundation (US). Today, she guides the foundation in its multiple welfare activities, both in India and the USA. Domiciled in the USA, she is the spouse of Mr. Raju Vegesna, Chairman and Managing Director of the Company.

Mrs. Bala is the second nominee of M/s Infinity Capital Ventures LP (Infinity), USA on the Board. She was co-opted as Director at the Board meeting on 22nd July 2015.

COMMITTEES

Our Board has constituted various committees as below

AUDIT COMMITTEE

Our Audit Committee is comprised of three independent directors, **Mr C B Mouli; Dr S K Rao; and Mr C E S Azariah** as determined under applicable NASDAQ rules and Companies Act 2013.

The primary objective of the audit committee is to monitor and provide effective supervision of our financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Our audit committee oversees the work carried out in the financial reporting process by our management, including the internal auditors and the independent auditor and reviews the processes and safeguards employed by each. In addition, our audit committee has the responsibility of oversight and supervision over our system of internal control over financial reporting, audit process, and process for monitoring the compliance with related laws and regulations. The Audit Committee has adopted a Charter which is reviewed annually.

The audit committee recommends to our Board the appointment of our independent registered auditors and approves the scope of both audit and non-audit services. All members of the Audit Committee meet the independence requirements and majority of them meet financial literacy requirements as defined by applicable NASDAQ and SEC rules.

COMPENSATION COMMITTEE

Compensation Committee consists entirely of non-executive, independent directors as determined under applicable NASDAQ rules, and consists of **Dr T H Chowdary, Dr S K Rao, and Mr C E S Azariah**.

The Compensation Committee determines the salaries, benefits and stock option grants for our associates, consultants, directors and other individuals compensated by our Company. It also administers our compensation plans.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Section 135 of the Indian Companies Act, 2013, requires the company to spend 2% of the average net profits from the three preceding financial years to Corporate Social Responsibility (CSR) activities. For this purpose, the Board has constituted the Corporate Social Responsibility Committee (CSR).

The CSR Committee of the board consists of **Mr Raju Vegesna, Mr Ananda Raju Vegesna and Mr C E S Azariah**. The purpose of the CSR Committee is to monitor the implementation of the CSR projects or programs or activities undertaken by the Company and a responsibility statement shall be signed by the CSR Committee confirming compliance with the CSR objectives and Policy of the Company.

The Committee shall submit its report to the Board and the Board shall report the same in its report to the shareholders annually.

NOMINATING COMMITTEE

The Nominating Committee of the board consists exclusively of the following non-executive, independent directors as determined under applicable NASDAQ rules:

Dr. T H Chowdary; Dr. S K Rao; and Mr. C E S Azariah.

The purpose of our Nominating Committee is to oversee the nomination process for our top level management and specifically to identify, screen and review individuals qualified to serve as our Executive Directors, Non-Executive Directors and Independent Directors consistent with criteria approved by our board and to recommend, for approval by our board, nominees for election at our annual general meeting of shareholders.

SENIOR MANAGEMENT

Mr. David Nishball

Chief Strategy Officer

David Nishball is one of the leading experts in building and managing Enterprise telecom operations in the Asia Pacific Region, having led the Enterprise segment for a number of global operators, joint venture companies, and emerging market operators.

He brings over twenty eight years of experience spanning various roles and functions in the telecommunications industry, including 18 years in the Asia Pacific Region.

Most recently, David was President of Airtel Enterprise Services from 2007-2010. Enterprise Services is a strategic business unit of Bharti Airtel Ltd., India's leading telecom service provider.

Mr. M P Vijay Kumar

Chief Financial Officer

Mr M P Vijay Kumar has been the Chief Financial Officer since October 2007 and has over 20 years of experience in corporate audits, financial/management consulting, legal advisory services, management audit and investment banking.

He is a Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institute of Company Secretaries of India and Associate member of the Institute of Cost and Works Accountants of India.

Mr. Kamal Nath

Chief Executive Officer

Mr Kamal Nath has been the Chief Executive Officer of Sify Technologies Limited, India operations, since August 2012. He is a Graduate in Electronics and Communications from BIT, Sindri. He has an overall experience of 26 years in reputed organizations.

Prior to joining Sify, he was responsible for the Infrastructure Services Division at HCL Technologies Limited, a major IT company.

Mr. C R Rao

Chief Operating Officer

Mr C R Rao has been serving as Chief Operating Officer. He is a Graduate in Commerce and Law and also holds an MBA. He comes with an overall experience of 26 years with around 16 years of rich experience in Strategic Planning and Operations Management.

Prior to joining Sify, he was with GSA Lufthansa in the Senior Management role.

Organization Overview

ORGANIZATION OVERVIEW

We are among the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common telecom data network infrastructure reaching more than 1300 cities and towns in India, besides providing Data Center services, Cloud and Managed Services, Applications Integratiion Services and Technology Integration Services. This telecom network also connects 36 Data Centers across India, including Sify's 6 Tier 3 Data

Centers across the cities of Chennai, Mumbai, Delhi and Bengaluru and customer data centers.

Sify was incorporated on December 12, 1995 in Andhra Pradesh, India, as Satyam Infoway Private Limited under the Indian Companies Act, 1956 to develop and offer connectivity-based retail services in India. Until December 2002, Sify was a majority-owned subsidiary of Satyam Computer Services Limited, an Indian Information Technology Services Company traded on the New York Stock Exchange and the principal Indian Stock Exchanges. The name changed from Satyam Infoway Limited to Sify Limited in January 2003 and from Sify Limited to Sify Technologies

Limited in October 2007. Sify completed its initial public offering of ADS in the United States in October 1999 and listed its ADS on the NASDAQ Global Select Market on October 19, 1999. In February 2000, Sify completed secondary offering of ADS in the United States of America.

From December 1995 through 1997, we focused on the development and testing of our private data network. In 1997, we began forming strategic partnerships with a number of leading technology and electronic commerce companies, including UUNet Technologies, in order to broaden our service offerings to our corporate customers. In March 1998, we obtained network certification for

conformity with Indian and international network operating standards from the Technical Evaluation Committee of India. In April 1998, we began offering private network services to businesses in India. Our initial services included electronic data interchange, e-mail and other messaging services, virtual private networks and related customer support.

We started development of www.sify.com, our online portal, and other related content sites for news, travel, finance, health and shopping with the goal of offering a comprehensive suite of websites offering content specifically tailored to Indian interests worldwide.

On November 6, 1998, the Indian Government opened the

Internet service provider (ISP) market to private participation. Capitalizing on our existing private data network, we launched our Internet service provider business, SifyOnline (formerly known as SatyamOnline), on November 22, 1998 and became the first private national Internet service provider in India. We began offering SifyOnline Internet access and related services to India's consumer market as a complement to the network services offered to our business customers. Our SifyOnline service was the first in India to offer ready-to-use CD-ROMs enabling online registration Dial in and immediate usage.

In March 2000, we launched our network of public Internet cafés called iWays to cater to the needs of Indians who do not have access to the Internet. In September 2000, we commenced our hosting services from our India's first Tier-3 Data Center at Vashi, Mumbai to provide co-location and managed services to our clients. In June 2001, we obtained permission from the Wireless Planning Commission to provide wireless connectivity on the 5.7 GHz spectrum. This enabled us to convert all our iWays from Integrated Services Digital Network, or ISDN, connectivity to wireless

connectivity on the last mile. This technology also enabled us to commence our high-speed/broadband access to homes, which began in March 2003. To enable quicker access to homes, we developed a model of partnering with Cable Television Operators (CTOs), who already interface with households for providing through cable television facilities to millions of households in India.

In April 2002, ISP's were permitted to provide restricted VoIP limited to outbound calls to International destinations and personal computer to personal computer calls in India. We started providing this service through our network of iWays, and later on through VoIP booths located in large commercial areas and corporate office complexes across major cities in India.

From the time we launched our corporate services in 1997, we have continually upgraded our technology to provide data services to corporate clients. We were the first Internet service provider in India to make our entire network IP-based and subsequently Multi Protocol Label Switching (MPLS)-enabled, which permitted us to continue to grow our corporate customer base. As of March 31, 2016, we

provide data connectivity services to over 5,000 corporate clients in industries ranging from information technology, manufacturing, banking and financial services industry, pharmaceuticals, retail distribution and the Government.

In late 2012, we reorganized our Business to enable scale, flexibility and the ability to cross pollinate our business across multiple verticals. The focus of the business shifted to Solutions and Services from infrastructure. We call this Sify 3.0.

Post the re-organization along service lines, a significant part of our revenue is derived from Enterprise Services comprising Telecom services, Data Center services, and Technology Integration services. Sify also provides services that cater to the burgeoning demands of the SMB community, much of it on its Cloud services platform.

Sify Technologies (Singapore) Pte. Ltd, Singapore and Sify Technologies North America Corporation, USA are wholly owned subsidiaries of the Company incorporated in the years 2009 and 2014 respectively.

Business Segments

BUSINESS SEGMENTS

Our business segments flows into five distinct lines of business as below:

TELECOM SERVICES

The Core service in the portfolio is the Telecom Services which is also among the most matured, tracing its legacy back to our earlier years as India's first Private Internet Service Provider. The slower pace of use of private computers led a midway divergence to build networks that could be used by large Enterprises for their business needs. This early start has helped us to leverage the market potential. We are today India's leading network provider offering the highest wireless endpoints and an equal number of wired terminations.

Forecasting the explosive growth in the telecom market, we were the first in the country to offer an IPv6 ready network from day one; a fact underscored by the Telecom policy of 2012. This network today reaches around 1300 towns and cities, enabling

more than 2600 points of presence (PoPs).

The focus of the Telecom Services is on the following lines:

• India Data Business – Addressing the Data Communication needs of Large and Emerging Enterprises in India across each of their distributed points of business. We do this by leveraging our network span across 1300 towns and cities with more than 2,600 PoPs and 85,000 links, thus making us the largest MPLS network in India.

• Global Network Business – Addresses the connectivity needs of Enterprises and Carriers to connect in and out of India, our partnerships with multiple international carriers provide for a seamless integration into and out of the India network.

• Wholesale Voice – Addresses the 'India termination' and several other countries for Hubbing. Our cable landing station at Versova, Mumbai, is our strategic investment to address this business need and currently facilitates three international cables servicing the Middle East and a majority of Europe. We recently commenced Hubbing business in Singapore. Investments into strategic global assets will continue to address the opportunity into and out of India.

DATA CENTER SERVICES

Right from our first Data Center at Vashi, Mumbai in 2000, we have invested in the top of the line technologies across all our networks with every new data centre taking the game forward. The Sify SDA (Sify Data Centre Architecture 4.0) is an

architectural framework IP that has found acceptance in several Data Centers that we have built for our customers. We currently have six Tier 3 Data Centers.

These DCs also offer a multitude of Value Added services over the traditional notion of basic co-location and Opex-driven storage solutions. At approximately 2 Lakhs square feet coverage today, including the new Data Centers, we are among the largest to offer Data Center space in the market.

CLOUD & MANAGED SERVICES

The last few years saw the emergence of Cloud or virtual storage as a tangible product offering. Several Emerging Enterprises saw the benefits of buying-space-as-you-go as against investing in Capex driven infrastructure. The advent of this business saw the quality of high class networks and the promise to remotely store your data immaterial of where it was connected from and plugging into it when the enterprises choses to. This eliminated the need for cumbersome server monitoring and the associated cost of ownership.

In order to offer the best-of-breed services, we chose to tie up with the leaders in the business like HP and VMware. Our hosting services are also SAP Gold certified giving the much-needed SLAs to our customers about the quality of our offerings.

APPLICATIONS INTEGRATION SERVICES

As with every industry major that chose to offer IT and managed services, several of our clients also demanded Applications.

While we chose not to be a core Software player, we enable the integration of multiple technologies and platforms and the cross breeding of existing ones.

This way, the clients can slowly transition the maturity cycle with their existing application before switching over to newer ones. That said, some of our home grown applications like Forum and iTest have found favor with a large number of our clientele.

TECHNOLOGY INTEGRATION SERVICES

The nearly two decades spent maturing into India's premier ICT player has led to building an enviable knowledge bank of integrating, monitoring, maintaining and upgrading every facet of service as demanded by a quickly converging market.

Sify offers turnkey solutions to clients who are new to both technology and technology refreshes. We do this by leveraging our homegrown expertise in design, implementation and maintenance to deliver end-to-end managed IT services across Data Center, Network and Security.

As described, this business takes the knowledge developed from building Network Architecture, Unified Communication and Access, Collaborative Tools, Data Center Build, Virtualization, LAN and WAN Architecture and End Point Security and offers them as a complete solution package to customers.

This business is also responsible for Sify being part of the biggest deals in ground-up technology refreshes for some of India's prominent private and Government clients.

We are looking to strengthen our bouquet of offerings in the years to come.

Service Offerings

TELECOM SERVICES

These primarily consist of network service which addresses the domestic connectivity needs of Indian enterprises and international inward and outward connectivity needs of International Enterprises. We do this by leveraging our national Tier 1 IPv6 network infrastructure. The services include a comprehensive range of Internet protocol based Virtual Private Network, offerings, including intranets, extranets and remote access applications to both small and large corporate customers. There is a strong focus on industry verticals such as IT/ITES (IT enabled services), Government, Manufacturing, Banking and Financial Services Industry (BFSI), Pharmaceutical and FMCG. We were one of the earliest service providers in India to provide MPLS-enabled IPVPN's on our entire network. We have entered into a strategic partnership with leading Telcos for providing last mile connectivity to customers. Our entire network is MPLS enabled with built in redundancy with world class design and service standards.

Our cable landing station and our investment in a submarine cable consortium are our other assets that we extend to our International partners for their international inward and outward connectivity needs. Our cable landing station currently lands three major submarine cables; namely Gulf Bridge International (GBI), the Middle Eastern and North African cable (MENA) and Europe India Gateway (EIG).

Our clients can pick from a range of services, namely the following:

- SecureConnect $^{(TM)}$ is our comprehensive offering of secure, reliable and scalable IPVPN solutions that meet both mission- critical data networking and converged voice, video and data connectivity needs. It offers a variety of intranet and extranet configurations for connecting offices, remote sites, traveling associates and business partners, whether in India or abroad. Our platform of services includes:

- SiteConnect $^{(TM)}$ which offers site-to-site managed MPLS-enabled IPVPN solutions for securely connecting regional and large branch offices within India to the corporate Intranet.

- GlobalSite Connect $^{(TM)}$, an international site-to-site managed MPLS-enabled IPVPN solution, is used for securely connecting international branch offices to the corporate offices. It provides connectivity anywhere in the world through Sify's alliances and partnerships with global overseas service providers such as Level 3, KDDI, and PCCW Global to name a few.

- ExpressConnect^(TM), which offers a premium range of high-performance Internet bandwidth solutions for connecting regional offices, branch offices and remote locations to the corporate network. These solutions complement our SiteConnect range of MPLS enabled IPVPN solutions, provide high-speed bandwidth in those situations where basic connectivity and cost are the top concerns.

- RoamConnect^(TM), is our national and international remote access VPN, which is used for securely connecting associates while they are traveling, to the corporate intranet. Roam Connect features "single number access" to SifyNet from anywhere in the country and provides access from anywhere in the world through Sify's alliances with overseas service providers.

- PartnerConnect^(TM) is our remote access VPN offering, for providing secure and restricted dial-up access to business partners such as dealers, distributors and suppliers to the corporate extranet.

DATA CENTER SERVICES

We operate six Tier 3 Data Centers of which three are located in Mumbai (Bombay), one each at Noida (NCR), Chennai (Madras) and Bengaluru (Bangalore), which are designed to act as reliable, secure and scalable facilities to host mission-critical applications. We offer co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, or even rent 'secure cages' at the hosting facility as per their application requirements. We also offer a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration.

CLOUD & MANAGED SERVICES

Our on-demand hosting (cloud) services offers end-customers with the best in class solutions to Enterprises. We have joined the global program of two world majors and offer their suite of on-demand cloud services giving them the option to "rent" software licenses on a monthly "pay as you go" basis. This model is aimed at helping Indian companies, both large and small, to safely tap computing capacity inside and outside their firewalls to help ensure quality of service for any application they want to run.

Our Remote and Onsite Infrastructure Management services provides continuous proactive management and support of customer operating systems, applications and database layers through deploying specialized monitoring tools and infrastructure experts to ensure that our customer's

infrastructure is performing optimally.

Our innovative SLA driven utility-based On-Demand storage service manages the complete lifecycle of enterprise information, from its inception to its final disposal. The fully managed, utility based,

On-Demand, scalable storage platform is powered by a global major in Data Systems. Sify's On-Demand storage service reduces the complexities of deploying and managing multiple storage tiers, and lowers operational costs by automating management with

flexible need based pricing.

Our Managed services solutions play a crucial role in providing end-to-end IT management services to transform an organization's IT needs and align with current and future business needs.

TECHNOLOGY INTEGRATION SERVICES

Our myriad mix of solutions gives us the scope to band and extend any or all of these services in multiple formats and scales for client who wish to outsource their entire infrastructure with us. Clients get the benefit of our accumulated knowledge base and technical expertise across all points of the ICT spectrum. In terms of cost, these translate into better cost efficiencies. In terms of monitoring, the client interacts with a singular service provider saving them both implementation and documentation efforts.

Our suite of conferencing tools consist of Audio and Video solutions; the most differentiating factor being the video solution in partnership with a world leader that does not require a room conferencing solution thereby freeing the modern enterprise with real time data straight from the markets.

APPLICATIONS INTEGRATION SERVICES

Our range of web applications includes Sales Force Automation, Supply Chain Management, Intranet and Extranets, Workflow Engine, iTest, Managed SAP Integration Services and Knowledge Management Systems.

Our Applications Integration services operates two of India's biggest online portals, www.sify.com and www.samachar.com, that function as principal entry points and gateway for accessing the Internet by providing useful web-related services and links. We also offer related content sites specifically tailored

to Indian interests worldwide.

Sify.com provides a gateway to the Internet by offering communication and search tools such as online portfolio management, gold prices and

channels for personal finance, astrology, lifestyle, movies, sports and news.

- The finance channel of Sify http://sify.com/finance/ covers the entire spectrum of equity

markets, business news, insurance, mutual funds, loans, SME news and a host of paid and free financial services.

- The sports channel http://sify.com/sports/ covers

the entire gamut of Indian sports with special focus on cricket.

- The food channel www.bawarchi.com focuses on Indian recipes and cooking and is especially popular among non-resident Indians (NRIs) audiences with over 90% of its content being user generated

- Our NRI news portal, www.samachar.com, focuses on Indian news and allows NRIs to stay connected to India by aggregating news from across all popular newspapers, TV channels and other news portals. This portal provides a range of news in English and five Indian languages. Apart from Samachar, we have another India-targeted news channel http://sify.com/news which offers national and international news, political columns and offbeat news.

- The Movies channel on Sify http://sify.com/movies is one of the key channels that offer updates from Bollywood and all regional film industries. The content includes movie reviews, industry news, video galleries, photo galleries, downloads (wallpapers) etc.

We offer value-added services to organizations such as website design, development, content management, Online assessment tools, search engine optimization, including domain name management, secure socket layer (SSL) certificate for websites, and server space in required operating system and database. We provide state of the art messaging and collaboration services and solutions such as e-mail servers, LAN mail solutions, anti-spam appliances, bulk mail services, instant messaging and also offer solutions and services to enable data and access security over the Internet. We also provide infrastructure-based services on demand, including on-line testing engine and network management.
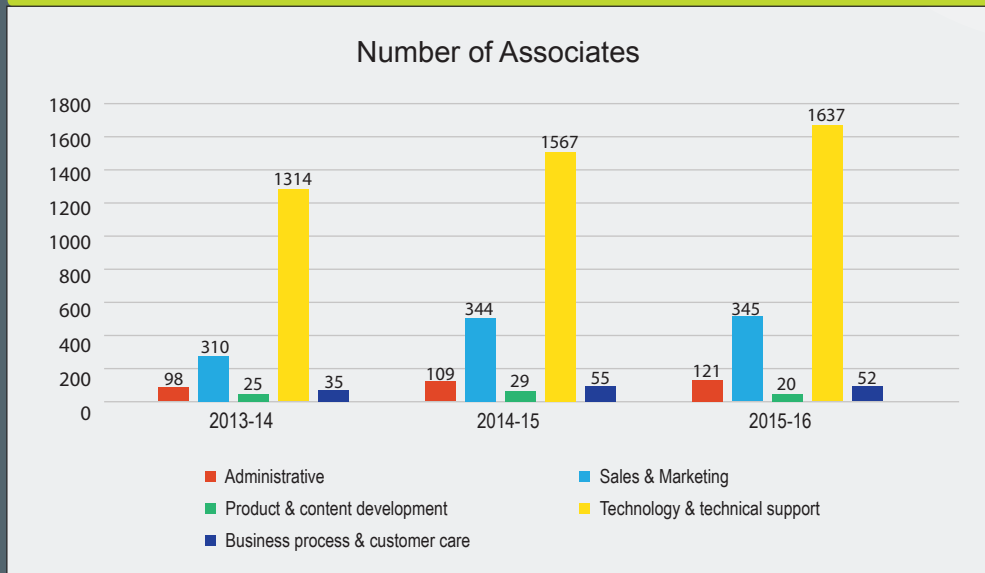
On-line testing services include test management software, required servers and proctored examination facilities at Sify's franchisee points. Our on-line exam engine offered allows a secure and flexible way of conducting examinations involving a wide range of question patterns.

NUMBER OF ASSOCIATES

Number of Associates

	2013-14	2014-15	2015-16
Administrative	98	109	121
Sales & Marketing	310	344	345
Product & content development	25	29	20
Technology & technical support	1314	1567	1637
Business process & customer care	35	55	52

■ Administrative
■ Sales & Marketing
■ Product & content development
■ Technology & technical support
■ Business process & customer care

NET PROFIT AFTER TAX (Rs in Lakhs)

Net profit after tax

2013-14   2014-15   2015-16
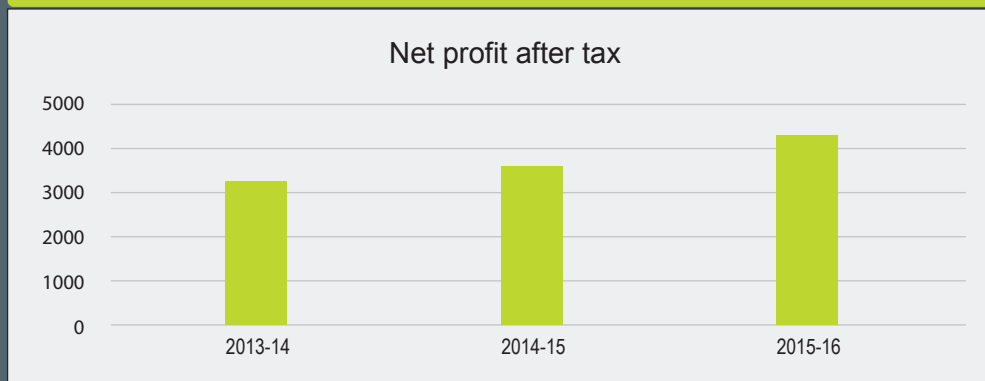
KEY HIGHLIGHTS

- Completed 16 continuous years of listing on the prestigious NASDAQ stock market.
- Won CIO CHOICE 2015 award for integrated data center solutions, Data Center Transformation and Managed Network Services
- Company's cloud and managed services conferred as the Best Cloud Storage deployment Architecture by an International OEM.
- First end-to-end SAP led total outsourcing deal signed.
- Growth in revenue by 17%.

Risks and Opportunities

(short, medium & long term)

THE ECONOMIC ENVIRONMENT, INCREASED PRICING PRESSURE AND DECREASED UTILIZATION RATES COULD NEGATIVELY IMPACT OUR REVENUES AND OPERATING RESULTS.

Spending on technology products and services has seen fluctuations in the recent past as a result of the global economic slowdown. Factors such as the pace of recovery, management of large government deficits, sovereign ratings of government bonds, which we believe remains challenging in many countries and may continue to be challenging in the near future, or any slowdown in global IT spending may adversely affect our revenue growth, due to the markets in which our clients operate. Global economic performance also has a bearing on our Infrastructure and e-Learning businesses. Currency fluctuations will also lead to variations in revenue. The Infrastructure Managed Services, National Long Distance ('NLD') / International Long

Distance ('ILD') business and eLearning may be affected in terms of prices and growth.

With regard to the Indian economy, we continue to experience pricing pressure due to competition in the markets in which we operate. Lead times for orders or contracts have become much longer, as we have longer credit periods. These factors have affected and will affect the growth in demand for our corporate business.

We have invested in building our network and data centre infrastructure and will continue to invest in the future. Our utilization rates of the existing and prospective infrastructure will determine our profitability. We may not utilize our infrastructure at the optimum level which would impact our revenue.

Reduction in IT spending, inability to maintain or increase prices, extended credit terms, and inability to maintain or improve utilization rates of our infrastructure may adversely impact our revenues, gross profits, operating margins and results of operations.

Mitigating strategy

We are taking cost control measures in order to ensure that we offer services at competitive prices to our customers. Regular budgets are prepared and the same is compared with actual performance. Adequate measures are taken to avoid non-recurring expenses.

CURRENCY FLUCTUATIONS MAY AFFECT THE RESULTS OF OUR OPERATIONS

The exchange rate between the Indian rupee and the U.S. dollar has changed significantly in recent years and may continue to fluctuate substantially in the future. We have entered into cross currency swap and interest rate swap transactions. Exchange rate fluctuations may adversely impact our cash flows on these transactions.

Mitigating strategy

We use derivative financial instruments, such as Foreign Exchange Forward, Range Forward and Option contracts, to mitigate the risk of changes in foreign exchange rates on accounts receivable and payable and forecast cash flows denominated in US dollar.

INTENSE COMPETITION IN OUR BUSINESSES COULD PREVENT US FROM IMPROVING OUR PROFITABILITY

A significant number of competitors have entered India's Internet service provider industry. The large players, especially the state run telecommunication companies, may enjoy significant competitive advantages over us, including greater financial resources, which could allow them to charge prices that are lower than ours in order to attract customers.

Mitigating strategy

We have maintained sound relationship with our customers by delivering quality services on a timely basis.

PROCURING POWER AT LOWER COSTS FOR DATA CENTERS BY THE COMPETITORS MAY PUT US AT A DISADVANTAGE IN TERMS OF PRICING FOR OUR DATA CENTRE OPERATIONS.

The single largest operating cost in Data Centers is power. Currently all Data Centres are located in proximity to, or at the edge of major urban centers such as Mumbai, Chennai, Bengaluru and Noida. Inexpensive land and labor allow companies to locate new Data Centres in remote locations. We may neither be in a position to develop Data Centres at remote locations where power is cheap nor procure power at cheaper rates for our Data Centres. If our competitors procure power at lower cost, they may have an advantage over us with respect to pricing. Our inability to offer competitive pricing may result in loss of customers and will impact our business and result of operations.

Mitigating strategy

We have maintained sound relationship with our customers by delivering quality services on a timely basis.

OUR BUSINESS MAY NOT BE COMPATIBLE WITH DELIVERY METHODS OF INTERNET ACCESS SERVICES DEVELOPED IN THE FUTURE.

We face the risk that fundamental changes may occur in the delivery of Internet access services in India. Currently, Internet services are accessed primarily by computers and are delivered by modems using telephone lines. As the Internet is becoming accessible by cellular telephones, personal data assistants, television set-top boxes and other consumer electronic devices, and becomes deliverable through other means involving digital subscriber lines, coaxial cable or wireless transmission mediums, we will have to develop new technology or modify our existing technology to accommodate these developments. Our pursuit of these technological advances, whether directly through internal development or by third-party license, may require substantial time and expense. We may be unable to adapt our Internet service business to alternate delivery means and new technologies may not be available to us at all.
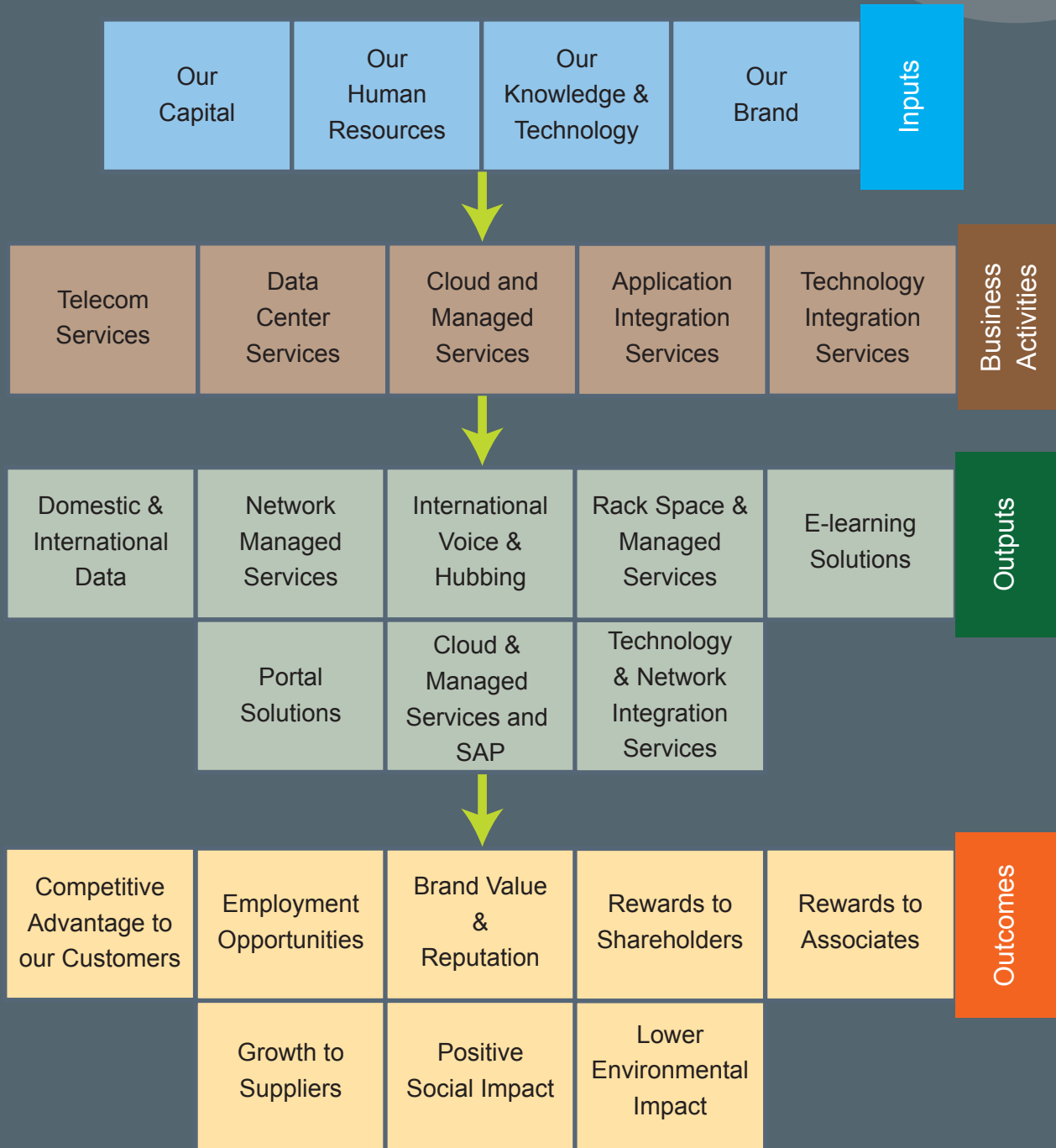
Mitigating strategy

We have recruited professionals having strong technical background from all fields. Necessary training has been imparted to them so as to overcome any challenges arising on account of technological advancement.

Business Model and Strategy

Business Model

Our Capital	Our Human Resources	Our Knowledge & Technology	Our Brand	**Inputs**

Telecom Services	Data Center Services	Cloud and Managed Services	Application Integration Services	Technology Integration Services	**Business Activities**

Domestic & International Data	Network Managed Services	International Voice & Hubbing	Rack Space & Managed Services	E-learning Solutions	**Outputs**
	Portal Solutions	Cloud & Managed Services and SAP	Technology & Network Integration Services		

Competitive Advantage to our Customers	Employment Opportunities	Brand Value & Reputation	Rewards to Shareholders	Rewards to Associates	**Outcomes**
	Growth to Suppliers	Positive Social Impact	Lower Environmental Impact		

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INPUTS

Our Capital

Our capital comprises financial capital, manufactured capital, human capital, Intellectual capital and natural capital. The major source of finance for the company is through short term and long term borrowings from banks and other non-banking financing companies. Working capital funding is done majorly through overdraft and cash credit facilities from banks. The facilities are secured by first charge on current assets of the Company. Further term loans are secured by way of charge on movable fixed assets, margin money deposits and bank guarantees.

Human resources

Human resource is an important part of our business process. Our growth and success is directly linked with the quality of our human resources. We conduct education and training programmes throughout the year in order to develop the quality of our human talent and thus giving competitive advantage to our customers.

Our business model requires employees equipped with specialized knowledge and skills. The diagrammatic representation of human resources retained by us is given below:

We are a Company built with passion for excellence, and we expect all our associates to adopt the same high standards for self in terms of both professional and personal development.

Our brand

Our brand is a result of our deep research and "bring it on" attitude. Our focus is on customers and market leadership. One trait that has been identified with us since inception is that of an INNOVATOR. It's the trait that keeps us young, dynamic and always ahead of the curve. In a fast-changing world of ICT, the biggest competitive advantage our customers need is a partner who is obsessed with overcoming every challenge that comes in the way.

Our knowledge and technology

The knowledge we derived from our long driving experience and the technology we have developed with the pool of our internal talent, keeps us ahead of others in the market.

OUTPUTS

Domestic and International data

With India emerging as one of the largest consumers of Data services in the world, Sify's domestic Data services offer Indian enterprises dedicated Internet access services, MPLS services and Ethernet facilities over a next generation IPV6 network.

Enterprises with global ambitions require global network partners, preferably partners who own the networks for better control. Sify offers such a service through its investment in the EIG (Europe-India Gateway) cable as sub consortium member.

Network managed services

Proactive Network Monitoring and Management Service provides 24x7 proactive monitoring and management of the WAN (Performance Reporting and End-to-End Management), Managed Network Devices, Professional services and Application Management, to offer end-to-end network availability, performance and reporting with assured guarantees to Sify Network customers.

International Voice and Hubbing

Sify enables carriers across the globe with secure and reliable voice termination options into India and other countries.

Rack space and managed services

Across all its Data Centres, Sify offers the following world-class services:

o   rack space- unlimited, half rack, full rack

o raised floor space offered on sq.ft. basis

o caged enclosures with access control system

o dedicated CCTV cameras

o managed services

o managed shared firewall services

o tape backup services

o FortKnox™ services

o internet connectivity at the DC- fixed bandwidth or data transfer model

o cross-connect services

o dedicated seating space

o fireproof vaulting & off-site tape movement services

eLearning solutions

Sify has more than a decade's experience in delivering award-winning Learning Solutions to various Fortune 500 enterprises, Small and Medium-sized Businesses (SMBs), higher education and K12 markets.

Portal Solutions

Sify's Website Development and Maintenance Solutions covers an array of intelligently crafted online solutions to digitize business operations of companies across varied industries.

Leveraging extensive experience in handling challenging web development projects for some of India's leading government and public sector organizations, Sify is uniquely positioned to offer custom solutions such as:

o Web presence solutions

o eCommerce solutions

o Portal solutions

o Website maintenance packages

SAP

Sify's SAP practice focuses on delivering benefits in key functional & technology areas to Small and Medium Enterprises to enable these organizations have more efficient and profitable operations, and adapt to the growth & expansion in their business. As customers look at alternative delivery and support models, Sify's SAP practice greatly leverages its traditional strengths in enterprise Connectivity, Data Centre and Cloud services to provide its customers a one-stop solution catering to the entire services spectrum related to new and existing SAP deployments, through innovative pricing & cloud

based delivery models.

Network integration services

Sify leverages its rich experience of converged, application aware, outcome-based network solutions based on multiple OEM technologies that have helped empower enterprises across verticals like BFSI, Manufacturing, Healthcare, Government/Public Sector units, IT and ITES for more than two decades.

OUTCOMES

Competitive advantage to our customers

With our converged ICT ecosystem and 'bring it on' attitude we provide competitive advantage to our customers. Competitive advantage is the strategic advantage business/individual entity has over its rival entities within its competitive industry. The strategic advantage can be cost advantages, technology advantages, people advantages or time advantages.

Employment opportunities

With the continuous growth in our business, there has been continuous growth in

employment opportunities being created. The total number of associates employed during the current period has increased by 15% compared to previous year.

Brand value and reputation

With our continuous hard work and "bring-it-on" attitude we have created a value for our brand ensuring long term sustainability for our business operations.

Returns to shareholders

We have been successful in generating profits in last few years. This has been a result of our continuous hard work. We have paid a dividend of 10% during the current and previous two years.

Rewards to associates

We have been providing rewards to employees for significant contributions in reaching our goals.

Growth to suppliers

With our growing business operations there has been resultant growth in business of our suppliers.

Positive social impact

Our contribution to society is essential for sustainability of our business operations. We have created a positive social impact through our CSR activities.

Lower environmental impact

We have been consistently focusing on reducing the impact of our operations on the environment. Use of green technology in our Noida data centre, utilization of solar energy and wind energy for our towers and data centres are instances of our efforts in reducing impact on environment.

STRATEGY

To build a converged ICT eco-system calls for a multidisciplinary approach. While maintaining the tempo of investment in infrastructure, we will, in parallel, strengthen our current offerings of services. The description below provides an explanation on this approach.

- Cover more of the country with our network, increase the bandwidth support and drive more customer usage. Our network is based on Internet Protocol, or IP, and we are the first Indian service provider to have made our network Multi-Protocol Label Switching (MPLS) compliant. We are also the first IPv6 ready network having laid it down as early as Year 2000. In the fiscal year 2013-14, we implemented the proprietary CloudCover to connect Data Centres across India with a multi-mode, multi-mesh network. This builds redundancy at multiple levels across the network. This network connects 36 of India's Data Centres including 6 of our own. To ensure undisrupted high quality service and to achieve cost efficiencies, we have invested in an undersea cable consortium. The capacity went live during the Q1 of 2012-13. We have also leased intercity links from multiple suppliers including BSNL, Bharti, TATA, Railtel and Power Grid Corporation, such that each one of our nodes is accessible from at least two other nodes, if not by two long distance operators. We believe that as the size and capacity of our network infrastructure grows, its structure and national coverage will create economies of scale. Being vendor neutral, we are able to procure bandwidth in a cost effective manner. In January 2014, we launched India's truly Green Data Centre at

Noida with an industry defining benchmark efficiency. In year 2015, we launched cloud based data center at Rabale.

- Increase penetration in our existing markets by expanding awareness of the "Sify" brand name to capitalize on our first mover advantage in India. Over time, Sify as a brand has expanded its offerings from the retail broadband segment to the Enterprise buyer in India. But as with every brand's birth, our first offerings gave us the identity as India's most aggressive internet player. We built on those strengths and with time, have built a complete ecosystem of Enterprise offerings.

- Create pull with newer more efficient technology and hence draw more customers into the Sify fold. In order to transition to being an Enterprise player, we began by expanding our bouquet of services in line with market demand. A nascent retail broadband gave rise to data storage and hence our first Data Centre was born at

Vashi, Mumbai in September 2000. As a brand, we have consciously aligned with the best-of-breed technology and benchmarks. Right from our first Data Centre, all our subsequent ones were also Tier 3 compliant. Our managed services bouquet has been a mix of home grown applications and offerings through tie ups with industry leaders like HP, VMware, Akamai, SAP etc.

- Expand the bouquet of services and cater to an audience that does not mind paying a premium and hence realize better margins. As competition heats up in the IT and Telecom sector, there will be a squeeze on our margins for the traditional offerings. Hence it is imperative to create a segment of premium paying customers who see value in the differential on their services. We will also continuously expand our service offerings and expand into a broader geographical domain. We actively spread to Tier II and III cities much before we had customers there. This helped us to demonstrate a robust

working model of our services in geographically challenged places as and when the demand arose.

- Expand our customer distribution channels through strategic alliances to take advantage of the sales and marketing capabilities of our strategic partners. Each of our business delivers a certain level of legitimacy when aligned with the industry leaders. Most MNCs see this as a comfort factor and a reassurance of global standards that they have enjoyed. So, whether it is Telecom business aligning with international carriers, our DC business being Tier III certified and assured by the best of the global standards, our Managed services having tied up with leaders like HP, VMware, SAP, Hitachi etc or Applications Integration services or our content delivery assurance with Akamai under our Technology Integration services ambit, the assurance is the same; global standards, local deliverance. On the delivery front, this doubles our marketing strength while allowing for a cross selling of

products and services to both the partner's audiences.

- Pursue selective strategic investments, alliances and acquisitions to expand our customer base, increase utilization of our network and add new technologies to our service mix. India's financial nerve centre, Mumbai has long been a focus of our expansion plans given the concentration of Enterprise players. That, along with a stable administration and power supply, well developed suburbs, and a native market was responsible for us launching our 6th Tier 3 DC at Rabale, near Navi Mumbai. All along, we have invested ahead of the demand curve across all our services. That said, the focus has also been to add value by partnering with the best of breed technology companies. Towards that, our hosting services are now SAP certified giving us the much needed fillip to pitch it to discerning Enterprise customers. Content delivery for Enterprise customers was underlined with our partnership with the world leaders, Akamai. We will continue to pursue opportunities to grow both organically and inorganically, in our endeavor to spread into newer geographies.

- Expand into international

markets for providing managed network services. We are now at a crucial phase in our growth. Over the years, we have built a substantial knowledge house of services and they are ready to be delivered to clients beyond India's borders. We are actively pursuing an agenda of tying up with international IT majors and taking these strengths to customer worldwide, starting with North America. Our inhouse IP services like eLearning are already being offered to multiple geographies in the US and Europe.

VISION AND MISSION

Vision

"We are building a world in which our converged ICT ecosystem and our 'bring it on' attitude will be the competitive advantage to our customers."
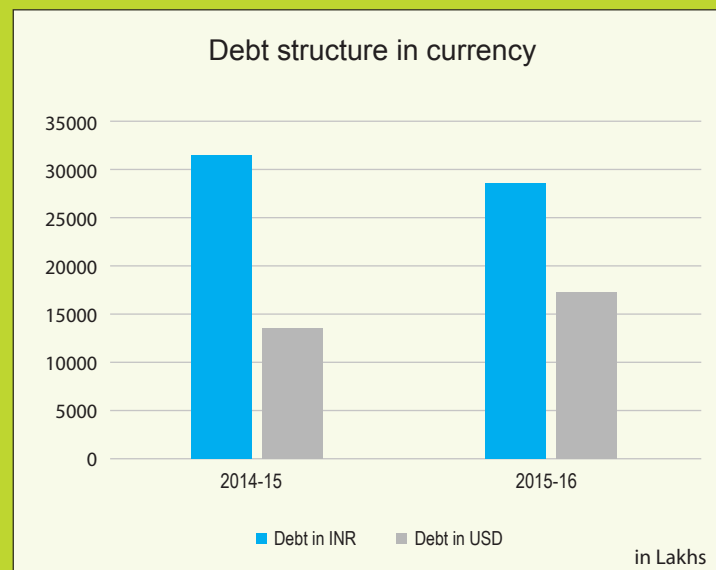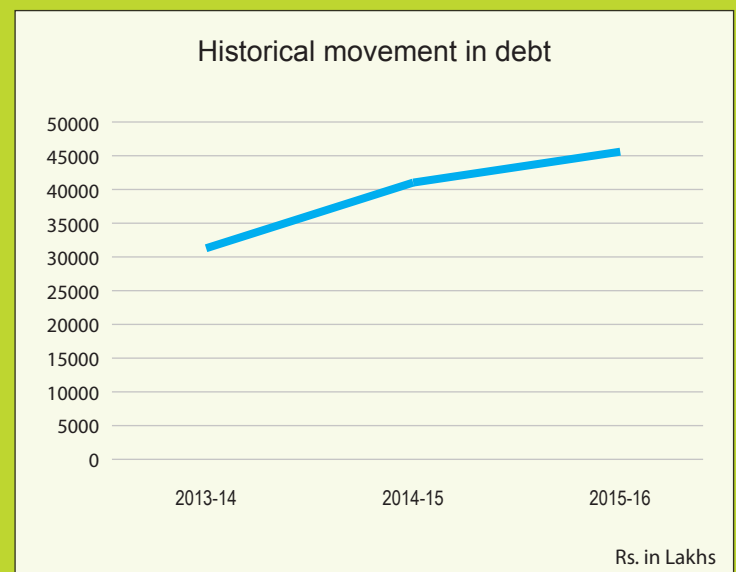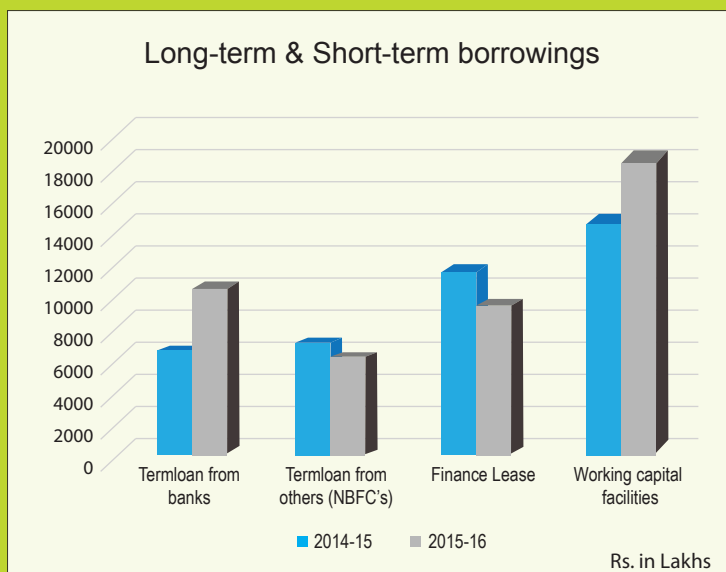
Mission

- Seed entrepreneurial abilities within the organization

- Build convergence technologies
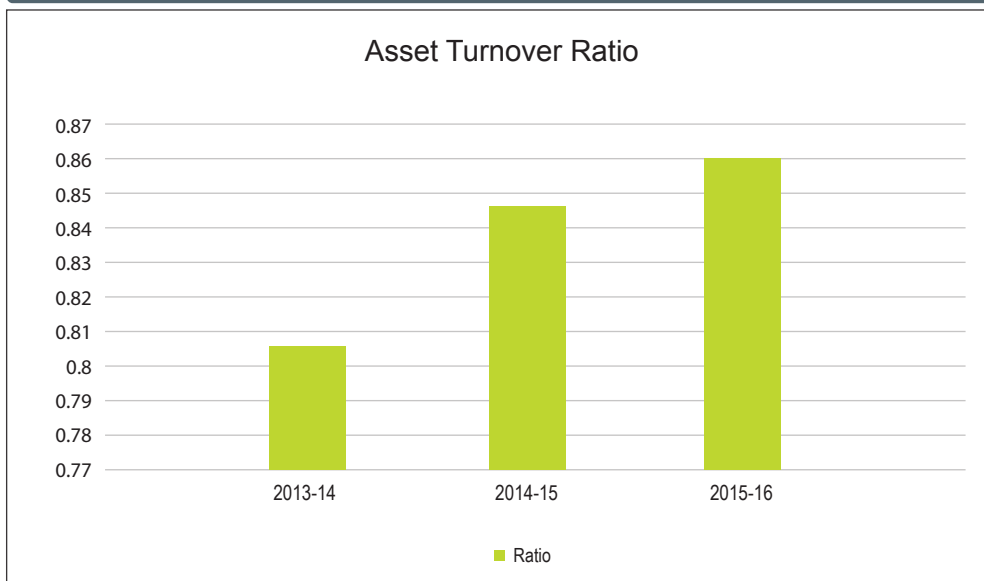
- Deliver cost-effective solutions

Our Assets

FINANCIAL CAPITAL

We finance our financing requirements through short term & long term borrowings from banks, Internal accruals, owners equity & other non-banking financial corporations. The movement in long-term and short-term borrowings is disclosed below:

Long-term & Short-term borrowings

Rs. in Lakhs

Historical movement in debt

Rs. in Lakhs

Debt structure in currency

in Lakhs

MANUFACTURED CAPITAL

Asset Turnover Ratio

Our manufactured capital includes our property, plant and equipment available for use in the provision of services. As of March 31, 2016, we have total tangible and intangible assets amounting to Rs 67,252 lacs compared to fixed assets amounting to Rs 55,115 lacs as on March 31, 2015.

Since building India's first Tier 3 Data Center in 2000, Sify pioneered Managed hosting and enterprise-ready Cloud services and today, maintains a leadership position in Data Center services. Sify's Data Centers in India are strategically located in different seismic zones, with highly redundant power and cooling systems that meet and even exceed the industry's highest standards.

We have six Tier 3 data centers at the following locations:

- Vashi, Mumbai (11,125 Sq ft)
- TIDEL Park, Chennai (7,300 Sq ft)
- Electronics city, Bangalore (13,450 Sq ft)
- Airoli, Mumbai (44,562 Sq ft)
- Noida, Delhi (54,000 Sq ft)
- Rabale, Mumbai (65,000 sq ft)

INTELLECTUAL CAPITAL

SMAC
This is Sify's indigenously developed wireless radios based on OFDM technology operating in the 5.7 GHz band. The radios run Sify's proprietary air interface protocol and MAC enhancements developed over the proven 802.11n technology. SMAC wireless radio is a product developed to meet service providers' varied needs to cater to enterprise connectivity and high end applications. The SMAC wireless radios Point-to-Point and Point-to-Multipoint solutions deliver up to 200 mbps per sector.

The device can operate in five modes – Access Point, Client Bridge, Client Router, Base and Satellite thereby ensuring it can cater to any customer or deployment need that may arise. The device has built-in AES (128 bit) encryption to ensure maximum security for information exchanged over the wireless link.

SMAC series combines indigenously developed proprietary air interface protocol, OFDM and MIMO delivers top end performance delivering voice, video and data applications. It is an ideal choice for enterprise connectivity and provides for a cost effective solution for all kinds of verticals. SMAC is designed to deliver reliable service under harsh outdoor environment with certified IP67 protection.

Sify Data Center architecture (SDA)
Sify's Data Center Architecture (SDA) is the in-house developed

data center design and operations architecture for Sify's data centers. The SDA has gone through many changes from its inception in year 2000 adapting Sify's data center experience, business requirement and adapting the international data center and infrastructure standards.

The current version SDA 4.0 is based on the Tier III concurrently maintainable topology of the Uptime Institute. The SDA 4.0 has adapted the POD based design architecture suiting the vertical and horizontal data center scalability with pre-defined capacity modules. Each POD is of 1440KW IT infrastructure with supporting non-IT infrastructure. The 1440KW module can support either a single data hall of 1440KW or multiple data hall within the 1440KW power capacity.

The highlight of the design is truly concurrently maintainable electrical and mechanical infrastructure where the equipment's and distribution paths are designed for maintenance without disrupting the working environment. The design also provides a common backplane where the modules for each POD can be added without any disturbance to the working PODs. The floor is designed keeping the server hall or the white space as the core and has the supporting rooms located strategically around it, they are the electrical switch rooms, UPS and battery rooms, staging rooms, AHU rooms, BMS room, material handling docks, Staging rooms etc.

The SDA 4.0 provides the following benefits –

• Modular and Scalable;
• Self-sufficient and Sustainable Standardization;
• Operational and maintenance best practices

HUMAN CAPITAL

We are a company built with passion for excellence, and we expect all our associates to adopt the same high standards for self in terms of both professional and personal development.
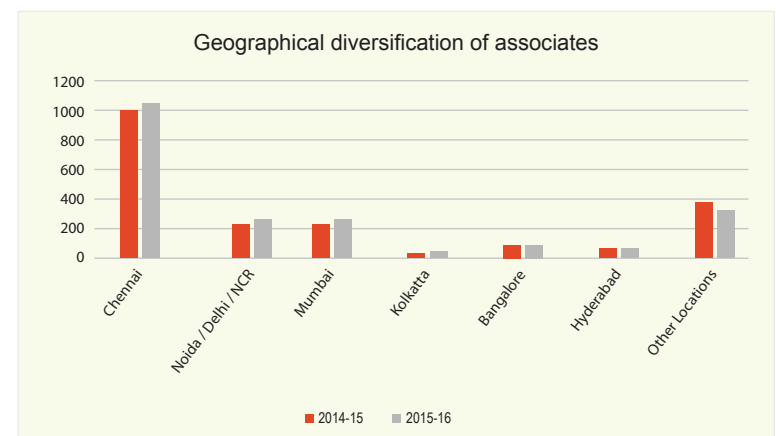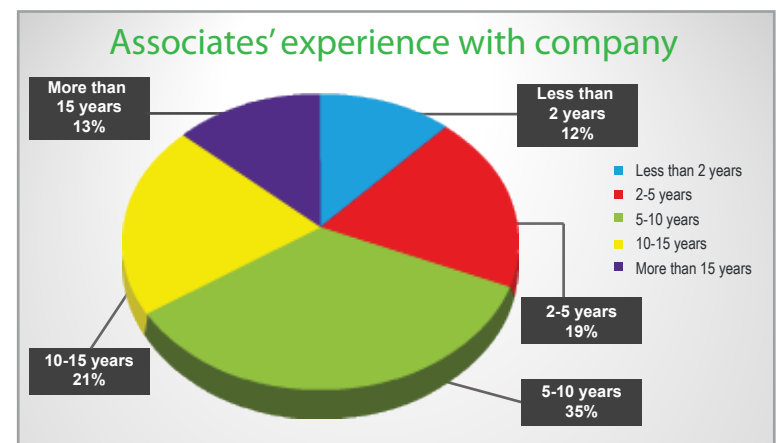
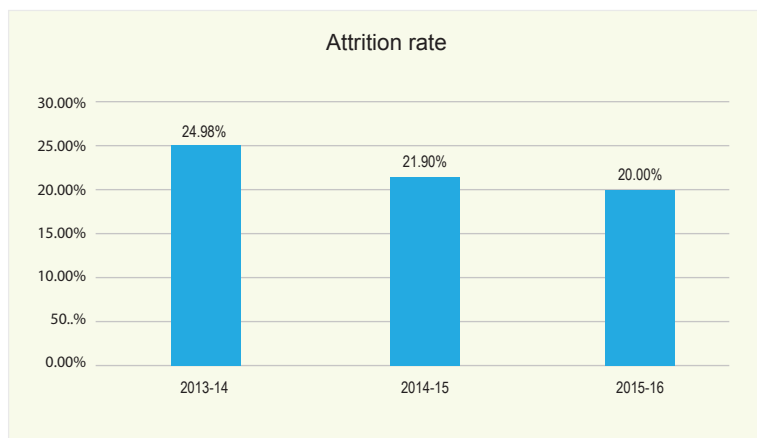### HR Culture

Sify philosophy is driven by seven core values:

• Put customer needs first
• Be Accountable
• Treat Others with dignity
• Be Action Oriented
• Have the Courage to Confront Issues
• Always remember that you are part of the Sify Team
• Protect Sify's Interest Always

Talent Pool - Creation

• Our Hiring philosophy is oriented towards sourcing and hiring candidates with relevant functional knowledge, subject matter expertise, competency check and cultural fit.

Associates' experience with company

Less than 2 years	12%
2-5 years	19%
5-10 years	35%
10-15 years	21%
More than 15 years	13%

Geographical diversification of associates (2014-15, 2015-16)

Attrition rate

Year	Rate
2013-14	24.98%
2014-15	21.90%
2015-16	20.00%

- Every candidate is assessed for both functional knowledge and its application to work.
- Designated panels for each technology tower have been established to assess specific technical skills.
- Along with technical skill assessment, candidates are also assessed for specific competencies required to perform the role through case study and scenario based evaluation techniques
- Assessment tools like Online testing systems and Thomas profiling for specific positions are used for selection process.

NATURAL CAPITAL

Green Data Center

As one of the few initial steps in our drive to create an eco-friendly environment, we have adopted the 'Green Data Center Policy'.

A Data Center is a repository for the storage, management, and dissemination of data; the 'green' factor maximizes the process in which the mechanical, lighting, electrical and computer systems are designed for maximum energy efficiency and minimum environmental impact. The construction and operation of a green Data Center includes advanced technologies and strategies.

Solar and wind energy

As a major breakthrough measure to regulate our dependency on non-renewable sources of energy and exploiting the potential offered by the renewable sources of energy, we kick started our efforts to utilize solar energy and wind energy for our towers and Data Centers, respectively. Power drawn through wind energy is currently being used for our Data Center in Bangalore and we are in the process of using the power derived from wind energy for our Data Center in Mumbai.

From the year 2013-14, we have started using the power generated by using wind energy in our Bangalore Data Center. We have invested in one of the companies producing wind energy; this company provides us with the agreed amount of power based on the terms of the contract. The power generated by windmills is being transmitted to the grids owned by government authorities, from which the power is drawn through regular electricity lines.

Lower Carbon Footprint

The facility in Noida is designed to avoid environmental pollution. This is applicable for water, air, sound etc. No kind of waste materials, which may pollute the environment, is discharged into the surroundings.

We have adopted the Environment Impact Assessment (EIA) guidelines prescribed by the Ministry of Environment and Forests (MOEF). During the construction and operations phase, we conduct regular audits (every 6 months) and the findings are submitted to MOEF.

SOCIAL AND RELATIONSHIP CAPITAL

Sify's Social Integration into the society was a larger part of its birth factor in itself. The brand was born with the avowed trait of being a social integrator among communities. This found representation in our first service which was the public internet access point.

India, at that time, was a community not exposed to the benefits of the internet that along with high capital costs was a natural deterrent to any new technology being born. Also, the cost of infrastructure was prohibitive. Personal computers were a luxury and restricted to either common terminals at offices or the residences of a restricted few.

Sify broke the barrier by introducing the social benefits of the internet to the masses through its public internet access point called the Sify iWays. Indians, thus, had a window to the world of internet at a fraction of the cost. Within a couple of years brand 'Sify' became a symbol of freedom of expression online and the most visible public institution for online information. Sify continued its 'innovator' trait going forward to build India's first private data center at Vashi in September 2000. During the course of building the largest retail internet chain, Sify realized the benefits of taking its services, namely networks and Data Centers to the enterprise business community.

In a way this led to Sify broadening its scope of business from retail to enterprise services.

Among the values that 'Brand Sify' shares with its more prominent peers was a factor of developing technology that is for the common good. In doing so, Sify has built unshakeable relationships with its stakeholders.

As a brand trait, Sify would own 'innovator' and 'disruptor' traits in equal measure. Innovator, because Sify has bought to India and Indians, technology that was hitherto unknown or beyond their realm. Disruptor, because Sify helped lower the cost of adoption of these technologies, thereby making it available to a larger class of people.

In the last two decades Sify has evolved with time and today reiterates in full measure its social commitment to society. In some recent measures, Sify has tried to embrace the marginalized elements of society and provide them with the means to a livelihood. For example, during the construction of the Noida Data Center Sify had employed labourers around the site, trained them in safe civil practices and also opened a social center for their families..
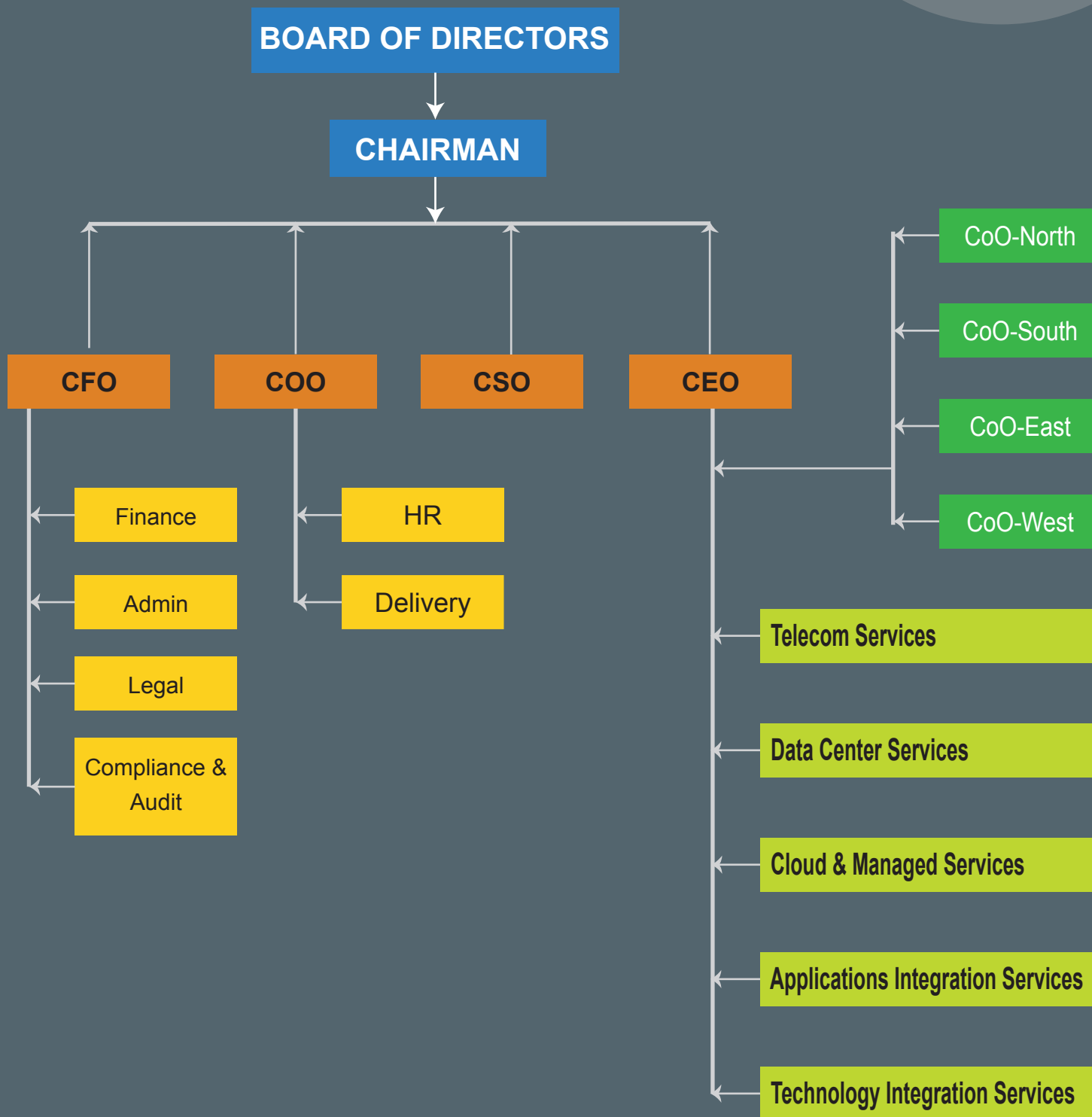
The Noida Data Center also complies with green norms established worldwide for commercial buildings. For example, the water is completely recycled; all common areas use

motion–based sensors, and industry leading devices that optimize energy consumption. Within Sify, as an equal opportunity employer, we employ associates based on merits immaterial of their social or physical limitations. Sify's association with investors dates back to the time it listed on the NASDAQ in 1999. From that date, Sify has been an avowed follower of all the statutory norms of NASDAQ, never once falling short of its compliance measures. In the 16 years that we had been listed, Sify has maintained a strict formal relationship with all investors, combining an allegiance to the SOX Act and its own high standards of ethical performance. All investors are kept abreast of all information without any malice. Periodic meetings with investors have helped to keep the personal touch while catering to a larger business demand.

Corporate Governance Model

Organizational structure and responsibilities of the Board

BOARD OF DIRECTORS

CHAIRMAN

CFO	COO	CSO	CEO

- Finance
- Admin
- Legal
- Compliance & Audit

- HR
- Delivery

- CoO-North
- CoO-South
- CoO-East
- CoO-West

Telecom Services

Data Center Services

Cloud & Managed Services

Applications Integration Services

Technology Integration Services

CORPORATE GOVERNANCE MODEL

Responsibilities of the Board

- Approving a business plan (that includes an annual budget plan) for the next financial year prior to the commencement of the next financial year.

- To approve the resolutions of the Board of Directors of the Company and all other corporate documents.

- Hold a General Meeting of Shareholders (including to send Notices to the shareholders) either annual or extraordinary as necessary or requested by certain Shareholders, as regulated in the Articles of Association of the Company.

- Approval of any change to the composition of the Boards of Directors of the Company/Audit Committee and Compensation Committee.

- Governing the organization by establishing broad policies and objectives.

- Selecting, appointing, supporting and reviewing the performance of the Senior Management.

- Approving the annual accounts and authentication of the accounts.

- Appointment of Statutory Auditors, Internal Auditors, Secretarial Auditor and Cost Auditor.

Corporate Governance Policy principles and norms adopted.

- Company complies with the requirements of Companies Act, SEC / NASDAQ Regulations relating to the independence of Directors in Board, Audit, Compensation and Nominating Committees.

- Company ensures strict compliance of the Whistle Blower Policy.

- Company ensures Code of Conduct for the Board of Directors and Senior Management.

- The Company complies with the provisions of Sarbanes-Oxley Act of 2002.

- Conducting Board / Audit / Compensation Committee Meetings regularly.

- Appointment of Directors and Senior Management based on the recommendation of the Compensation Committee.

Process for developing strategy, and identifying and managing risks

The following steps are carried out for a Risk Management process

a) Identify risks and document its impact on business performance and organization

b) Assess the Risk

c) Prepare mitigation plans

d) Monitor periodically for

- Any new risks that arise in that period

- Mitigation plans which needs to be strengthened given the changes in risks

- Effectiveness of existing mitigation plans

The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks to an acceptable level.

The SBU heads shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning .The risk of the various SBUs shall be assessed and reported to board on a periodic basis.

STAKEHOLDER RELATIONSHIPS

(a) System of Major Stakeholders Identification (e.g., associates, investors, suppliers, customers, local authorities, public interest groups, non- governmental organizations)

- Associates – Based on HR database
- Investors – On record held by the Company in the investor record profile
- Suppliers and Customers are empaneled in the Company's ERP master data base.
- Local authorities, Public interest groups, non-governmental organizations – Based on compliance reporting as required.

(b) Approaches to stakeholders' consultation (e.g., surveys, focus groups, community panels, corporate advisory panels, and written communications with frequency)

- Financial – As per Disclosure policy as mentioned under A.5 Public Disclosure policy and in line with NASDAQ reporting.
- Non-Financial – Written material will go through Communication Head. Verbal or interview material will be through approved spokesperson of the company.
- Community panels – Based on marketing focus inputs as required for any new campaign.
- Corporate advisory panel –

Based on Share of Voice in the panel itself

BOARD

Chairman, Managing Director and CEO

Mr. Raju Vegesna

Executive Director

Mr. Ananda Raju Vegesna

Independent Directors and Women Director on board

Four Independent Directors and One Woman Director

Number of Board Meetings organized, during the last three years

Financial Year 2013 – 14

6 Meetings

Financial Year 2014 – 15

6 Meetings

Financial Year 2015 –16

7 Meetings

ACCESS TO INFORMATION BY THE BOARD

On a Quarterly basis or as and when required, the Directors are provided with a set of financial statements consisting of Balance sheet, Statement of Profit and Loss, Cash Flow statement. They are also provided with a presentation of performances of the various business units which gives details of the revenue flow, cost breakdown and the EBITDA for each business.

The information is provided by

the CFO and the same is provided as a confidential docket and also circulated in advance for them to review before the Board meeting.

PUBLIC DISCLOSURE POLICY

The company has established a disclosure control policy for disclosure of material information to the investment community and to help the investors develop and maintain realistic expectations regarding the performance of the company. As per Sec 409 of the Sarbanes Oxley Act, the company is required to make real time disclosure of material information.

The purpose of the policy is to

- Provide timely, orderly, consistent, balanced, and accurate information consistent with statutory and regulatory requirements;
- Make material disclosures evenly during good times and bad, regardless of whether the disclosures may be viewed positively or negatively;
- Make all material disclosures on a broadly disseminated basis so that all parties in the investment community have fair access to the information disclosed by Sify;
- Be realistic on prospects for Sifys' future performance;

- Develop, maintaining, and testing Sify Technologies Limited's disclosure controls and procedures.

The Board of Directors has authorized the establishment of a Disclosure Control Committee and has delegated the authority to the Chief Financial Officer.

The Disclosure Control Committee consists of the following individuals or their duly authorized representatives

1. Chief Financial Officer (Chair)

2. Chief Executive Officer

3. Chief Operating Officer

4. Head of Corporate Communication

5. Company Secretary

6. External Auditor (advisory)

7. SOX Coordinator (on invite)

- The responsibility of the disclosure Control Committee is to review the quarterly financial reports, internal control issues

- Advise the Head of Corporate Communication, when requested with respect to the disclosure aspects of major announcements, news releases, speeches, and other material communications by top management.

- Systematically review Sify Technologies Limited's prior material communications and advising whether any updating or correcting is appropriate.

- Provide guidance that is requested by directors, officers, associates, agents, and contractors of Sify Technologies Limited regarding disclosure issues that may arise during the course of their duties.

- Design and implement guidelines to assist in classifying information as material.

- Design such disclosure controls and procedures necessary to ensure that the financial statements and other financial information relating to Sify Technologies Limited is made known during the period in which the annual report, quarterly report, information statements, and offering circulars are prepared.

- Evaluate the effectiveness of Sify Technologies Limited's disclosure controls and procedures as of the end of the period covered by the financial statements and other financial information.

- Present conclusions about the effectiveness of the disclosure controls and procedures.

- Any disclosure to media, consultant analyst to be made only by the head of Corporate Communication or authorized representatives as approved by Disclosure Committee.

- The detailed process of what and how it can be disclosed is provided in the disclosure policy and guidelines.

RISK COMMITTEES AND SUB-COMMITTEES

The companies act 2013 requires a statement indicating development and implementation of the Risk Management policy which shall identify the elements of risk which may threaten the existence of the company. The Audit Committee has been entrusted with the duty of evaluation of risk management systems. Sify has adopted Risk Management Policy duly approved by the Board. A risk management committee comprising of senior management has been formed to discuss the risks of sub-committee. A Sub-committee headed by VP-Finance has been formed with the representations of all Business Units. This sub-committee holds meeting on a regular basis.

CODE OF ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT & ITS IMPLEMENTATION

This Code of Conduct is for the

Board of Directors and the Senior Management of the Company to enable them to adhere to the high standards of business conduct and to ensure compliance with legal requirements, specifically section 406 of the Sarbanes-Oxley Act of 2002, and the SEC rules promulgated there under. The code would deter wrong doing, promote ethical conduct and ensure conduct of business with values. This code is intended to supplement the Sify Code of Conduct.

The code is applicable to the following persons, referred to as Officers:

- Our principal Executive Officer,

- Our principal Financial Officer,

- Financial Controller, and

- All professionals serving in the roles of finance, tax, accounting, purchase, treasury, internal audit and investor relations. Further, this includes all disclosure committee members, all members of senior management, the members of the audit committee, and the members of the board of Sify and its subsidiaries.

The acknowledgement of the policy is received from all directors and senior management on an annualized basis. The board of directors and the senior management are required to read and confirm to its adherence on an annual basis.

The code of conduct for directors and senior management are available on the corporate website (www.sifycorp.com).

Ethical business conduct is critical to our business. All associates are expected to read and understand this code, uphold these standards in day to day activities and comply with all the policies and procedures. Nothing in this code creates or implies an employment contract or term of employment.

The code is circulated to all the associates each year. All are required to read, understand and agree to comply with the code of conduct.

Sarbanes-Oxley Act

The Sarbanes Oxley Act (SOX) is a US Federal law which has set requirements for all US public company boards, management and public accounting firms. The act was passed to protect investors from possibility of fraudulent accounting activities and to improve accuracy of corporate disclosures. Sify has an independent team of professionals who review the compliances to the Act.

Whistle Blower Policy and its implementation

The company is committed to the highest possible standards of ethical and legal business conduct in respect of accounting, internal accounting controls or auditing matters. In line with this commitment, this policy aims to provide an avenue for associates to raise concerns and reassurance that they will be protected from reprisals or victimization for whistle blowing in good faith. This policy is an extension of the Sify Code of Conduct.

The disclosures will be appropriately dealt with by the Chairman of the Audit Committee or the Investigators.

The whistle blowing policy is intended to cover serious concerns that could have an adverse impact on the company, such as, actions that:

- May lead to incorrect financial reporting;

- May lead to questionable accounting or auditing matters;

- Are unlawful;

- May endanger the health or safety of any individual;

- May lead to a criminal offence being committed;

- May lead to noncompliance with the legal obligation by the company.

- May lead to any suspected violation of code of conduct and code of ethics

Safeguards:

- Every effort will be made to protect the complainant's identity.

- Harassment or victimization of the complainant will not be tolerated.

- The policy encourages associates to put their names to allegations since appropriate follow-up questions and investigations may not be possible unless the source of information is identified.

- Malicious allegations may result in disciplinary action

Procedures for handling complaints:

a) Any complaint that is made directly to a designated official shall be promptly reported to the Audit Committee.

b) The Audit Committee shall review each complaint received either directly from the chairman of the audit committee or from the designated official and determine whether the Audit Committee or the management should investigate the complaint, taking into consideration the points viz. alleged wrongdoer, gravity of the seriousness of the allegation and credibility of the allegation.

c) If the Audit Committee determines that the management should investigate the complaint, the Audit Committee shall notify the Chief Executive Officer of that decision. Thereafter, the management shall investigate the complaint and report the results to the Audit Committee. Unless the Audit Committee directs otherwise, the management shall be at liberty in its discretion to engage outside auditors, counsel or other experts to assist in the investigation and in the analysis of the results thereof.

d) If the Audit Committee determines that it should investigate the complaint, the Audit Committee shall determine what professional assistance, if any, it needs in order to conduct the investigation. The Audit Committee shall be free in its discretion to engage outside auditors, counsel or other experts to assist in the investigation and in the analysis of the results thereof.

If the investigation leads the Chairman of the Audit Committee to conclude that an improper act has been committed, the Chairman of the Audit Committee shall recommend to the management of the company to take such disciplinary or corrective action as the Chairman of the Audit Committee may deem fit

Protection of whistle blowers under Sect 806 of Sarbanes-Oxley Act

a) None of the members of the Audit Committee or the members of the management shall discharge, demote, suspend, threaten, harass or in any other manner discriminate or retaliate any Associate of the company or its subsidiaries who, in good faith, makes an accounting or legal allegation.

b) The Audit Committee shall not disclose the identity of any Associate of the company or its subsidiaries who makes an accounting or legal allegation -if the associate wants his or her identity to remain confidential, unless such disclosure is required by judicial or other legal processes.

c) If an Associate makes a complaint in good faith and any facts alleged are not confirmed by subsequent investigation, no action will be taken against the reporting person.

d) If any associate of the company or its subsidiaries makes a false compliant will be subject to strict disciplinary action which may lead to termination of job .The protection under sec 806 of Sarbanes-Oxley Act is applicable to genuine whistleblowers only.

Procedures for Associates making complaints:

a) An Associate of the company or its subsidiaries may report openly or confidentially any accounting allegation, legal allegation or retaliatory act to the Audit Committee or to one of the designated officials of the management. The company's designated officials are: 1) Chief Executive Officer, 2) Chief Financial Officer, and 3) -The Head, Human Resources.

b) The individuals, while making a complaint, should exercise due care to ensure the accuracy of the information disclosed and should provide sufficient information to enable an investigation to be conducted.

c) Associates may make complaints anonymously addressing the chairman of the audit Committee. They may choose to deliver the complaint by mail (including electronic mail) or in person.

All complaints should be marked "Confidential" and "Private".

d) Complaints can be recorded on the Company dedicated telephone hotline number. The chairman of the audit committee on a quarterly basis plays the recorder in the hotline number and notes if any complaints are recorded. The same is minuted in the audit committee minutes record.

COMMITTEES AND NON-EXECUTIVE DIRECTORS

Composition, Role and Powers of the Internal Audit Committee. Frequency of Internal Audit and reporting to the board.

The internal audit is conducted by an external firm of Chartered Accountants.

The scope and responsibilities are defined in the internal audit charter.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management and internal process as well as the quality of performance in carrying out the assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.

- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.

- Evaluating the means of safeguarding the assets of the organization and, as appropriate, verifying the existence of such assets.

- Evaluating the adequacy and effectiveness of internal controls, including information technology system controls such as those relating to Finance, Operations, Information Technology Systems and Information Security.

- Evaluating the effectiveness and efficiency with which resources are employed.

- Ensuring proper and timely identification of liabilities.

- Assisting the Management to identify risks and develop risk mitigation and monitoring strategies as part of the Risk Management Framework.

- Assisting the Management to identify the risks of fraud and develop fraud prevention

and monitoring strategies.

- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

- Monitoring and evaluating governance processes.

- Evaluating the quality of performance of External Auditors and the degree of coordination with internal audit.

- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance related to its plan.

- Evaluating specific operations at the request of the Audit Committee or Management, as appropriate.

- Quarterly reporting of Internal Audit.

Audit committee frequently reviews high exposure risk areas

Risk Management and Remuneration Committees- composition and responsibilities

Risk Management committee consists of the board members and business heads of the company. The Chairman of the Risk management committee is the head of the Audit committee.

Responsibilities

The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks to an acceptable level.

The SBU heads shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning .The risk of the various SBUs shall be assessed and reported to board on a periodic basis.

Remuneration committee consists of 4 Board members of which 3 are independent directors.

Responsibilities

The nomination and remuneration committee recommends appointment of new Director, CXOs and Company Secretary. They are also responsible for fixing the remuneration of the Directors.

CSR Initiatives

CSR INITIATIVES

As a responsible business corporation, Sify takes pride in being socially committed and focused on building sustainable and effective Corporate Social Responsibility (CSR) initiatives by focusing on three pillars - Community Development, Employability Enhancement and Environment Sustenance. During the year 2015-16, Sify contributed towards the following CSR initiatives:

Contribution to VIRRD Trust, Tirumala:

The Company has contributed Rs. 45 lakhs towards purchase of Digital X ray machine and DSS suction pump for the Hospital run by the trust.

DIET, Angaluru:

The Company has contributed Rs. 5 lakhs towards Donation to DIET, Angaluru for construction of class rooms.

ICT Academy of Tamil Nadu:

The Company has contributed Rs. 2 lakhs to ICT Academy of Tamil Nadu towards Book Donation.

Special Children Sports Academy, Chennai:

The Company has contributed Rs. 0.50 lakhs to Special Children Sports Academy for the sports meet held on August 6, 2015.

Book Donation:

The Company has contributed Rs. 0.16 lakhs by way of various Book Donations

Awards and Recognition

AWARDS AND RECOGNITION

India's Most promising brands under the IT category award at the Global Indian Excellence Summit, 2015, London.

The best enterprise Data Center of the year award at the Economic Times Best tech brand awards 2015

CIO Choice award
- Data Center Transformation Services,
- Integrated Data Center Solution and
- Managed Network Services

DQ award for Best Technology for Social Cause

Sify is among the top 20 global infrastructure service providers" Remote Infrastructure Management Worldwide

Recognition for Business Excellence, Best Management Practices, Board Guidance and Clarity on organizational direction, strategy and action

Sify Is Best Suited For Discrete Offshore Remote Management

Recognition by IDC for pioneering progress in IP VPN market

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Coverage of this Report

REPORTING FRAMEWORK

This is the first integrated report of Sify, prepared based on certain guidelines specified in the framework for preparation of integrated report prescribed by International Integrated Reporting Council.

DETERMINATION OF MATERIALITY

This report contains information on qualitative and quantitative features of items which are individually or collectively considered to be material to Sify's operations and strategic objectives. Items are considered to be material if they are of significance to our stakeholders and having significant impact on our business.

A multidisciplinary team made up of representatives from different business segments of the Company was formed to identify material issues for reporting. The team considered the following aspects to determine material items:

1. Various reports submitted to Board
2. Business opportunities
3. Impact on our business
4. Relevance to stakeholders
5. Organization strategy and future plans

REPORTING BOUNDARIES

The report includes material risks, opportunities and outcomes relevant to the Company and its subsidiaries, namely Sify Technologies (Singapore) Pte Ltd, Singapore and Sify Technologies North America Corporation, United States.

APPROVAL

This report is approved by the Board of Directors of the Company in their meeting held on April 22, 2016

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