Annual Report 2015-16

Telecom Services
Data Center Services
Cloud & Managed Services
Applications Integration Services
Technology Integration Services

sify

Once, is an incident. Twice is a practise. Thrice, is a habit we would like to keep on repeating.

3 years on, the road ahead is clear and confident.

Sify is now firmly established as service-provider-of-choice among the Indian Enterprise community.

This is the result of a firm resolve to build the most comprehensive ICT eco-system that will, in time, mature us from IT vendor to ICT partners, an almost fanatical measure to keep costs down and deliver projects within the stipulated time.

Our performance brought us repeat customers. Our reputation brought us new ones.

And if our results are our best advertisers, it helps to revisit them every once in a while.

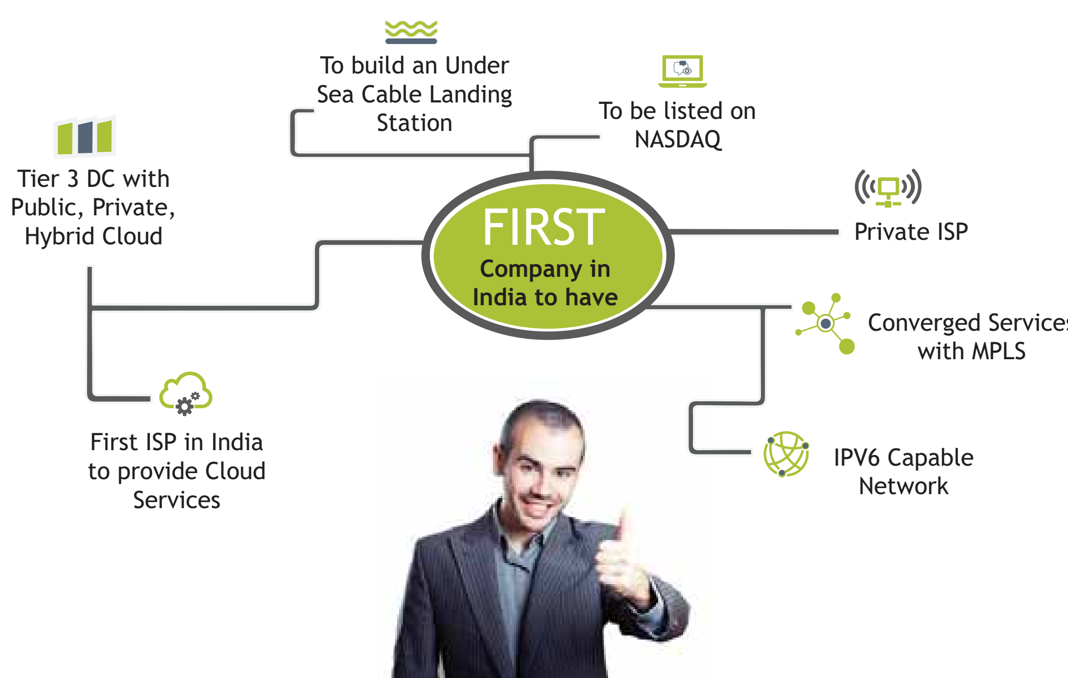
Vision statement

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

Raju Vegesna
Chairman, Sify Technologies Limited

A history of firsts

First ICT company...



Business units and line of services

Technology Integration Services
- DC Build
- Network Integration (LAN/WAN)
- Information Security
- End User Computing
- Collaboration Tools

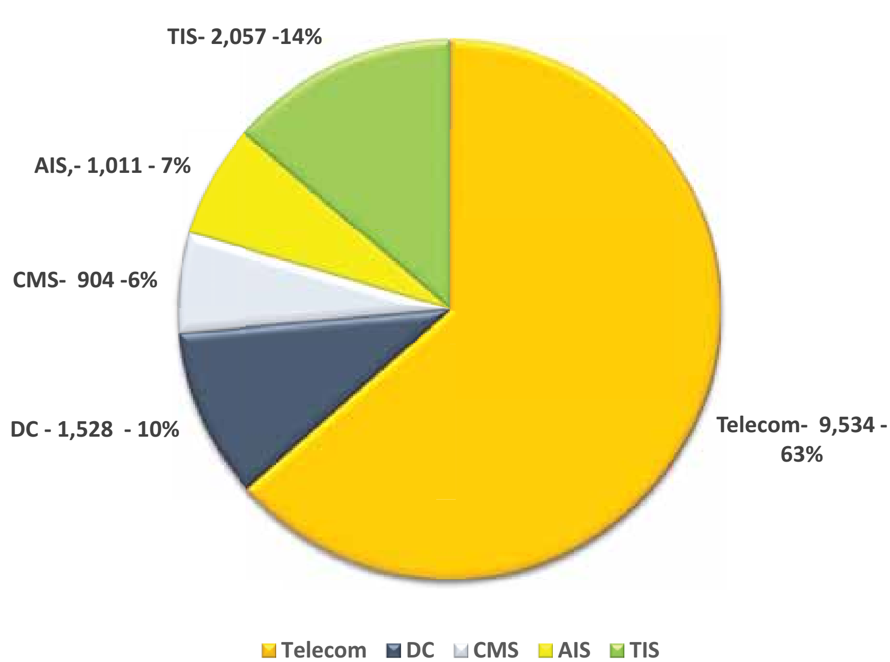
Telecom Services
- India Data Business
- Global Data Business
- Wholesale Voice

Applications Integration Services
- iTest
- eLearning
- App Testing
- Portal
- App Development & Maintenance
- Managed SAP Services

Data Center Services
- Colocation Services
- White Labelling
- Hosting

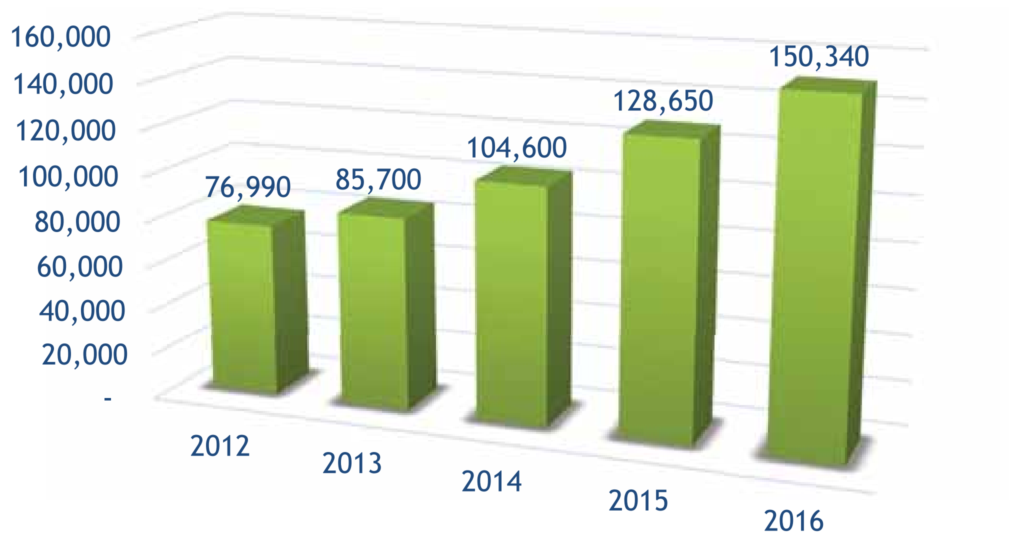
Cloud & Managed Services
- IaaS, PaaS, SaaS
- Managed DC services
- Managed Security Services
- Managed Network Services

Business contribution to revenue

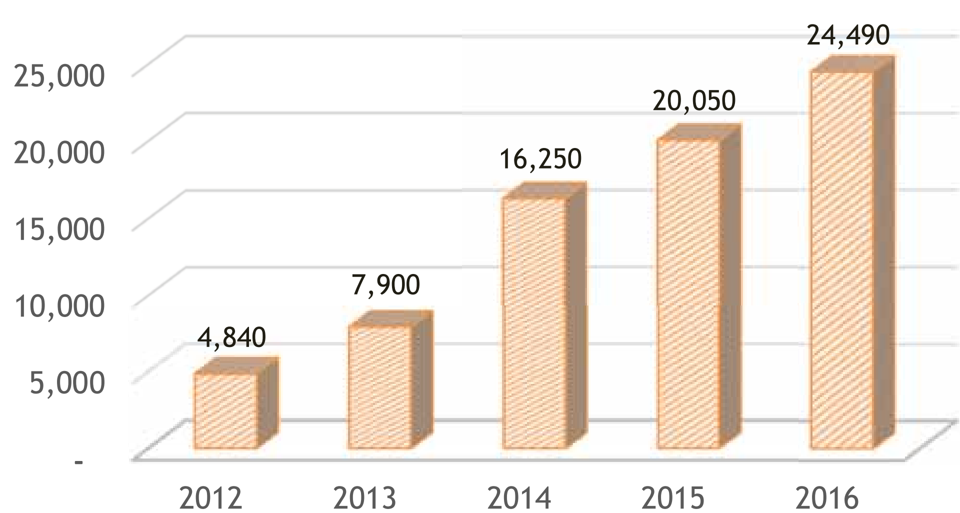


Summary of Consolidated Financials (₹ in lakhs)

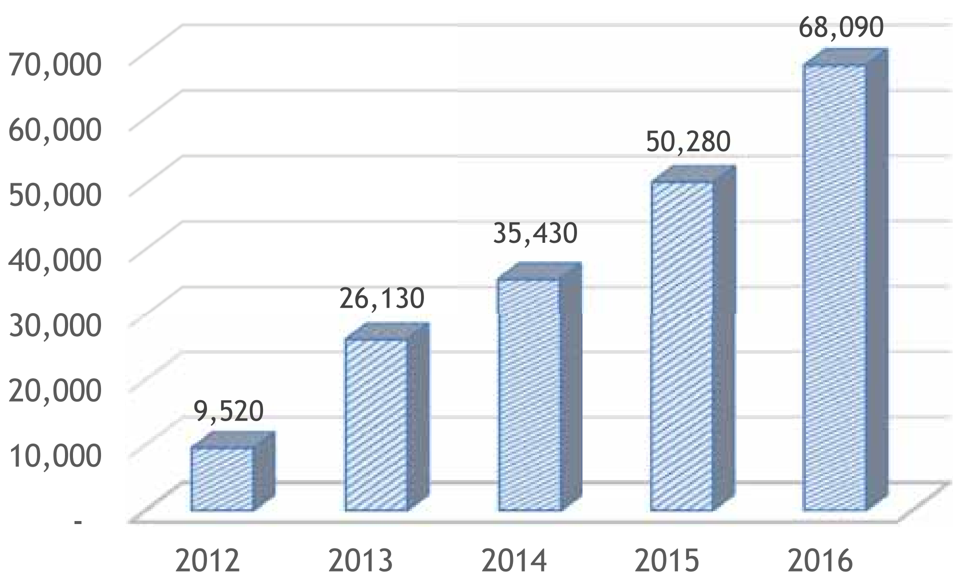
Revenue growth – a 5 year recap



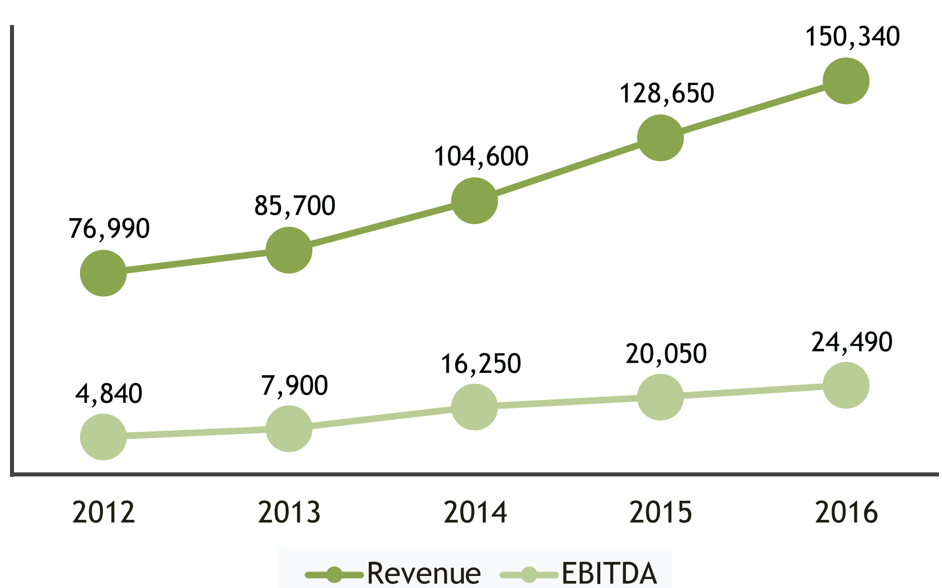
EBITDA



Cumulative Capex



Overall quality of growth – over 5 years

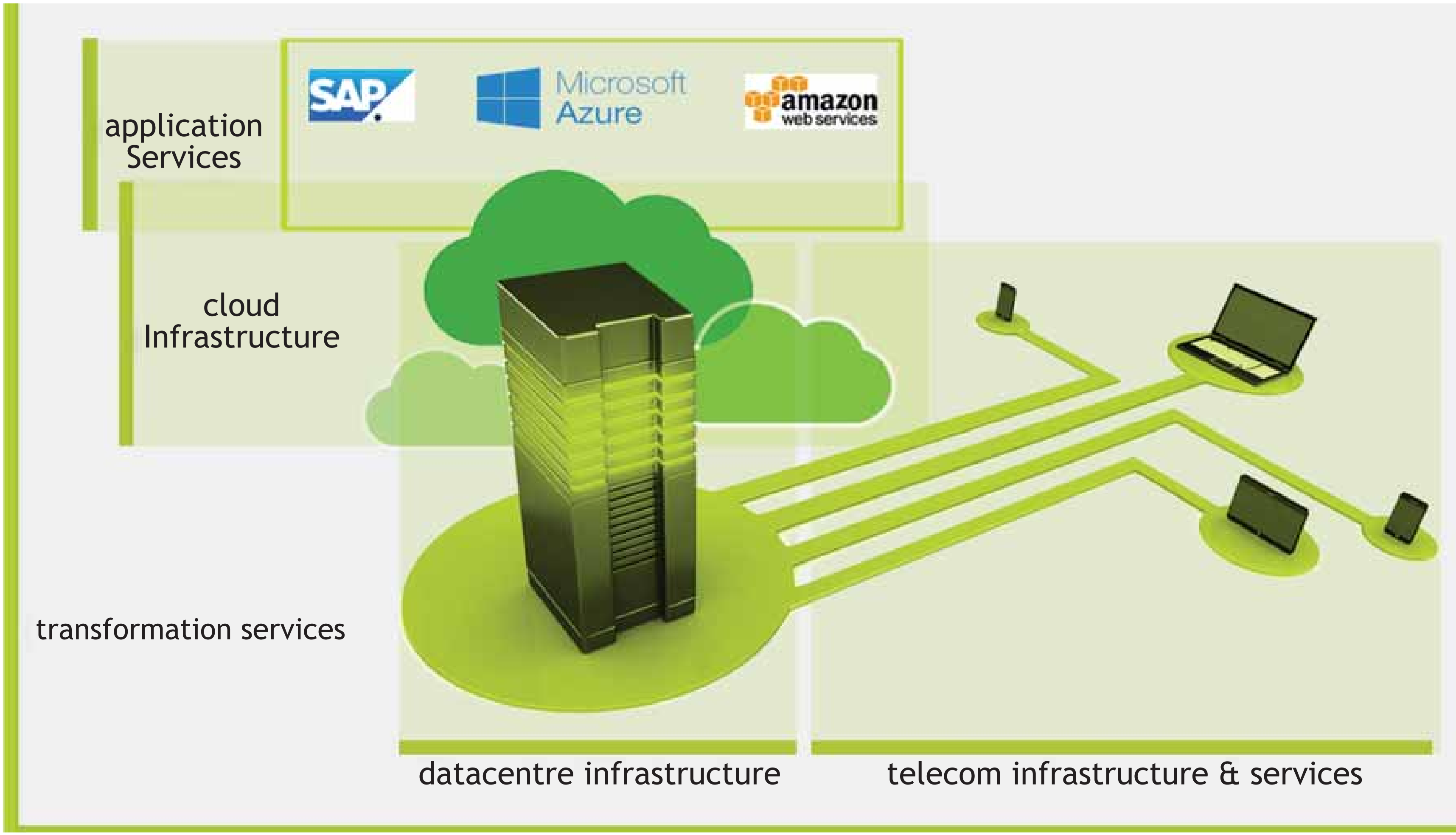


- Promoter holding 87%
- Declared Dividend for three years in a row
- Rating Investment grade - ICRA - A+

Subsidiaries

- Sify Technologies (Singapore) Pte. Ltd.
- Sify Technologies North America Corporation

Business Model



Industry endorsements of our services

Managed Network Solutions
Data Center Transanformation Services
Integrated Data Center Solutions

Most Promising Brand

National Award for Best Technology
for Social Cause for the Department of Posts

Best Enterprise
Data Center

Contents

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Board of Directors

Sify Technologies Limited

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

Vegesna Bala Saraswathi

Independent Directors

T H Chowdary

C B Mouli

S K Rao

C E S Azariah

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

C E S Azariah

Compensation Committee

T H Chowdary
Chairman

Ananda Raju Vegesna

S K Rao

C E S Azariah

Nomination & Remuneration Committee

T H Chowdary
Chairman

Ananda Raju Vegesna

S K Rao

C E S Azariah

Corporate Social Responsibility Committee

Raju Vegesna
Chairman

Ananda Raju Vegesna

C E S Azariah

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Statutory Auditors

ASA & Associates LLP
Chartered Accountants
Chennai

Internal Auditors

Yoganandh & Ram
Chartered Accountants
Chennai

Secretarial Auditor

V Ramasubramanian
Chennai

Cost Auditor

S Ramachandran
Chennai

Registered Office

2nd Floor, TIDEL Park
4, Rajiv Gandhi Salai
Taramani, Chennai 600 113

Bankers

State Bank of India
AXIS Bank Limited
HDFC Bank Limited
Yes Bank Limited

DIRECTORS' REPORT

Dear Members,

Your Directors present the Twentieth Annual Report together with the audited financials of your Company for the Financial Year ended March 31, 2016.

1. FINANCIAL HIGHLIGHTS

As informed in the last year's Report to the Members, your Company has prepared the financial statements under the Companies (Indian Accounting Standards), Rules 2015.

The process of transitioning to Ind AS from the erstwhile Companies (Accounting Standards) Rules, 2006 (previous year) is detailed in Note B.4.1 to B.4.3 of the Notes to the accounts.

₹ in lakhs

Details	Separate Financial Statements		Consolidated Financial Statements	
	2015-16	2014-15	2015-16	2014-15
Income from operations	1,47,635	1,28,115	1,50,349	1,28,643
Other Income	1,478	1,575	1,519	1,585
Profit Before Interest, Tax, Depreciation and Amortization	24,288	20,352	23,819	20,004
Depreciation and Amortization	15,959	12,715	15,980	12,720
Interest expense (Net)	3,473	3,543	3,457	3,539
Profit before Tax	4,856	4,094	4,382	3,745
Profit after Tax	4,856	4,094	4,383	3,744

The financial statements for 2014-15 have been redrawn as per Ind AS. Accordingly, the figures stated above for 2014-15 may not be comparable with financials for 2014-15 approved by the Directors vide Report dated April 23, 2015.

Separate Financial Statements

During the year under review, your Company registered revenue from operations of ₹ 1,47,635 lakhs as against ₹ 1,28,115 lakhs in the previous year, a growth of 15%. The EBITDA for the year was ₹ 24,991 lakhs as compared to ₹ 20,363 lakhs in the previous year. The Profit for the year was ₹ 4,856 lakhs compared to ₹ 4,094 lakhs in the previous year.

Consolidated Financial Statements

During the year under review, your Company registered consolidated revenue from operations of ₹ 1,50,349 lakhs as against ₹ 1,28,643 lakhs in the previous year, a growth of 17%. The EBITDA for the year was ₹ 24,500 lakhs as compared to ₹ 20,011 lakhs in the previous year. The Profit for the year was ₹ 4,383 lakhs compared to ₹ 3,744 lakhs in the previous year.

Financial information of the Subsidiaries

Sify Technologies (Singapore) Pte. Ltd, Singapore

During the year under review, the Company reported revenue of ₹ 597 lakhs as compared to ₹ 505 lakhs in the previous year. The loss was ₹ 42 lakhs as compared to profit of ₹ 70 lakhs in the previous year.

Sify Technologies North America Corporation, USA

During the year under review, the Company reported revenue of ₹ 2,885 lakhs as compared to ₹ 79 lakhs in the previous eleven months period. The loss was ₹ 431 lakhs as compared to a loss of ₹ 423 lakhs in the previous eleven months period.

2. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

No material changes and commitments have occurred affecting the financial position of the Company after March 31, 2016 till the date of this Report.

3. DIVIDEND

Based on the Company's performance, your Directors are pleased to recommend for approval of the members a dividend of ₹ 1 per Paid-up Equity Share of ₹ 10 each for the year 2015 - 16 (for 2014 - 15 ₹ 1 per Equity Share). The dividend, when approved by the members, would involve a cash outflow of ₹ 1,410 lakhs towards disbursement of Dividend and ₹ 287 lakhs towards payment of Dividend Distribution Tax aggregating to a total out flow of ₹ 1,697 lakhs.

4. TRANSFER TO RESERVES

The Company has not transferred any amount to the Reserves during the current Financial Year.

5. BUSINESS REVIEW

Your Directors are happy to state that Your Company's Managed Services offering is maturing into a competent bouquet of services with good traction among Small and Medium Enterprise players. Large Enterprises are also emerging as consistent buyers for your Company's Data Center Transformation services.

On an ongoing effort, Your Company is building new relationships with Technical Partners to stitch a cohesive set of services.

Your Brand was conferred an International recognition as Most Promising IT brand by the World Consulting and Research Corporation (WCRC), a prominent body of Consumer Research and Process Evaluators. This year's entries were jointly scrutinized and awarded by KPMG. The larger scope of the awards, instituted as a part of the Global Indian Excellence Summit, 2015, London, seeks to strengthen partnerships between UK and India through business and leadership.

a. Key Business Performance

Until last year, Telecom and Network Management were the entry points for clients into Your Company's eco-system. While Telecom has continued its strong showing, other businesses are beginning to garner independent clients of their own. This points to the maturing of the overall services bouquet.

- Specifically, Your Company has invested in refreshing the telecom network that has resulted in tripling of capacity. Endorsement of the strength of Your Company's Network came with the sign up of the National body for development and research in banking technology for their mission critical pan-India Network.
- Interest from prominent multinational players in Your Company's hosting services convinced us to invest in additional capacity at the Rabale Data Center in October 2015.
- Your Company is seeing a shift from regular co-location demands to Data Center transformation projects especially among large multi-nationals entering India.
- Your Company's Cloud and Managed services is seeing encouraging traction among the Public Sector services in the country.

- In view of the growing demand for Cloud services, Your Company launched the Cloud Interconnect services facilitating access to more than 10 leading cloud service providers across 30 global geographies. Enterprises now have perhaps the single largest direct access to the Cloud platform.
- Your Company's Noida facility received its biggest ever endorsement when a world leader in online search signed up to park their PoP at Noida. This will now enable multiple ISPs to host from here.
- Government utility service providers were the other big buyer of Your Company's services, prominent among them being one of the largest power distribution companies in India. They have signed up to provide complete IT infrastructure on a business outcome driven "Pay per Bill" model generated from the platform. The platform is built to support over 5 million consumer bills per month and scale as needed.
- Your Company also announced investments to set up a Global Innovation and Development Center at Hyderabad.
- Critical partnerships were signed with industry leading players to augment the Applications services offerings.
- Peers in the industry have also recognized Your Company's services with 3 major accreditations this year for the Network Management, Integrated Data Center and Data Center transformation services.

b. Industry Outlook

According to BMI Research, total ICT spending has increased by 11.6% in 2015 to reach a total value of ₹ 2.45 trillion. Robust growth is expected to continue over the medium term, with Compound Annual Growth Rate (CAGR) forecast at 11.6% between 2015 and 2019 and market value expected to reach more than ₹ 3.8 trillion in 2019.

Enterprise and Government automation of services will offer vendors considerable opportunities, with Cloud Computing and Small and Medium-sized Enterprise (SME) Solutions and Services expected to be areas of strong performance.

The public sector is likely to be the bigger buyer given the greater need for low-cost services to cater to aging populations (e.g., Social Security, Pension Services, Medical Care) and demanding consumers (e.g., demand for online Citizen Services).

Future growth in the sector will be fueled by growing demand by global corporations for new services such as Digital Technology, Mobile Applications and Cloud Computing. There is also a strong government push driving awareness and adoption of cloud services.

The National Association of Software and Service Companies (NASSCOM) indicated that India's IT services outsourcing sector is expected to register an export revenue growth rate of 12%-14% in the Financial Year 2015-2016.

According to a report by NASSCOM and Zinnov (January 2015), India has emerged as the fourth largest base for start-ups globally. The rise is attributed to unique solutions being offered by Indian start-ups in global whitespace opportunities like the Internet of Things, Augmented Reality, SMART hardware, Business Intelligence and many more.

6. MAJOR CORPORATE DEVELOPMENTS

During the year, your Company had invested US $ 500,000 in the Ordinary Share Capital of Sify Technologies (Singapore) Pte. Ltd., the Wholly owned Subsidiary, for its business requirements.

7. ASSOCIATES STOCK OPTION PLAN

Details of the Options issued under Associates Stock Option Plan 2014 (ASOP) and also the disclosures in compliance with Section 62 of the Companies Act, 2013 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014, no employee was issued Stock Option during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant.

In this regard, the Nomination and Remuneration Committee has approved to grant the options during the year as per the details given below:

S. No.	Particulars	No of Options	No of Employees
1.	Options granted	1,84,300	6
2.	Options vested	26,04,260	65
3.	Options exercised	Nil	
4.	Total number of shares arising as a result of exercise of option	Nil	
5.	Options lapsed	3,89,300	7
6.	Exercise price	Nil	
7.	Variation of terms of options	Nil	
8.	Money realized by exercise of options	Nil	
9.	Total number of options in force	56,65,800	84

Employee-wise details of options granted to:

S. No.	Particulars	No. of Options
1.	Key Managerial Personnel	Nil
2.	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year	Nil
3.	Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil

8. STATEMENT OF PERFORMANCE EVALUATION BY THE BOARD

The Board of Directors of your company, basis the procedures (through questionnaires, One to One Meetings and discussion with all the stakeholders), have evaluated its own performance and that of its Committees and Individual Directors.

9. DIRECTORS AND KEY MANAGERIAL PERSONNEL

i. Appointment of Ms Vegesna Bala Saraswathi as Director

Your Directors inform that Mr P S Raju, Director of the Company, Nominee of Infinity Capital Venture LP, USA, had resigned from Directorship of the Company effective May 31, 2015 and your Directors wish to place on record their appreciation of the valuable services rendered by him during the tenure of his office.

Ms Vegesna Bala Saraswathi, nominated by Infinity Capital Ventures, LP, USA, was appointed as an Additional Director under Section 161 (1) of the Companies Act, 2013 to hold office upto the ensuing Annual General Meeting. Notice has been received from a member proposing her appointment as a Director of the Company.

The above appointment is also in compliance with the provisions of Section 149 (1) of the Companies Act, 2013 for appointment of Woman Director.

Except for the above, the Composition of the Board remains the same.

ii. Key Managerial Personnel

During the Financial Year 2015 - 16, Mr L V Veeranjaneyulu Y, Company Secretary of the Company had resigned from the services of the Company and in his place Mr Suresh Balakrishnan was appointed as the Company Secretary of the Company.

As per the provisions of Section 203 of the Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following Officers of the Company were designated as Whole-Time Key Managerial Personnel of the Company:

Mr Raju Vegesna	Chairman and Managing Director
Mr M P Vijay Kumar	Chief Financial Officer
Mr Suresh Balakrishnan	Company Secretary

iii. Independent Directors

During the year, the following Directors have continued as Independent Directors of the Company.

1. Dr T H Chowdary
2. Mr C B Mouli
3. Dr S K Rao
4. Mr C E S Azariah

10. DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

11. ORDER OF THE COURT

There are no significant material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

12. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Internal Financial Control is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable reporting requirement standards. Our Internal Financial Control includes:

- that all disclosures as required by law and applicable accounting/reporting standards have been complied with;

- that all policies and procedures of the Company have been adhered to and those policies and procedures relating to safeguarding of assets have been complied with;
- that compliance of such policies and procedures enable prevention and detection of fraud and error;
- that policies and procedures adopted by the Company ensure accuracy and completeness of accounting records.

On account of its inherent limitations, Internal Financial Control may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The assessment of the effectiveness of our Internal Financial Control as of March 31, 2016 was conducted. The assessment of Internal Financial Control was based on the evaluation of the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO). Based on the assessment, it was concluded that our Internal Financial Control was effective as of March 31, 2016.

13. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state:

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

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

iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

v) that they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

14. CORPORATE GOVERNANCE

Your Company is compliant with the requirements of SEC / NASDAQ Regulations relating to the independence of Directors in Board, Audit, Compensation and Nominating Committees.

Your Company ensures strict compliance of the Whistle Blower Policy and Code of Conduct for the Board of Directors and Senior Management.

The provisions of Sarbanes-Oxley Act of 2002 which are applicable to the Company have been complied with.

15. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has two Subsidiaries as on March 31, 2016. There has been no material change in the nature of business of Subsidiaries. The Consolidated financial statement of the Company and its Subsidiaries is attached as Annexure. The Consolidated financial statements have been prepared in accordance with Ind AS.

16. VIGIL MECHANISM

In compliance with the procedure laid down under the Whistleblower Policy / Vigil mechanism as required under the Companies Act, 2013 / Sarbanes-Oxley Act, 2002, the Company has established procedures for:

i. receiving, retaining and treating complaints received;

ii. confidential, anonymous submission by employees / Directors, of complaints regarding questionable accounting or auditing matters, conduct which results in a violation of law by Company or in a substantial mismanagement of Company resources;

iii. reporting the genuine concerns by the employees and Directors;

iv. adequate safeguards against victimization of persons who use vigil mechanism.

17. BOARD MEETINGS

During the year, the Board of Directors of your Company met 7 times. The dates of meetings are April 23, 2015, May 23, 2015, July 22, 2015, September 4, 2015, October 20, 2015, January 20, 2016 and March 20, 2016.

18. DIRECTORS

i. Retirement by rotation

Mr Ananda Raju Vegesna, Executive Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Your Directors recommend his re-appointment.

ii. Declaration from Independent Directors on Annual Basis

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6).

19. COMMITTEES

i. Audit Committee

The Audit Committee consists Mr C B Mouli, Dr S K Rao and Mr C E S Azariah as members. Mr CB Mouli is the Chairman of the Committee and is a Financial Expert.

ii. Compensation Committee

The Compensation Committee consists Dr T H Chowdary, Dr S K Rao, Mr Ananda Raju Vegesna and Mr C E S Azariah as members.

iii. Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists Dr T H Chowdary, Dr S K Rao, Mr Ananda Raju Vegesna and Mr C E S Azariah as members.

The Company has framed a policy on the Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under sub-section (3) of section 178 of the Companies Act, 2013.

iv. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee consists Mr Raju Vegesna, Mr Ananda Raju Vegesna and Mr C E S Azariah as members.

v. Nominating Committee

The Nominating Committee constituted under the SEC Regulations consists Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah as members.

20. REMUNERATION POLICY

The Board, Nomination & Remuneration and Compensation Committee framed a policy for selection and appointment of Directors including determining qualifications, independence of a Director, Key Managerial Personnel, Senior Management Personnel and their remuneration as part of its Charter and other matters provided under Section 178(3) of the Companies Act, 2013.

21. AUDITORS

i. Statutory Auditors

a. Name and Address

M/s ASA & Associates LLP, Chartered Accountants, No 39, 1st Main Road, R A Puram, Chennai.

b Reappointment

The Company's Statutory Auditors, M/s ASA & Associates LLP, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. In terms of Section 139 of the Companies Act, 2013, the Board has recommended to reappoint them for a second term of five years to hold office from the conclusion of this Annual General Meeting until the conclusion of 2021 Annual General Meeting subject to ratification at every Annual General Meeting at a remuneration recommended by the Audit Committee.

ii. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed the Company Secretary in Practice as given below to undertake the Secretarial Audit of the Company.

a. Name and Address

Mr V Ramasubramanian, Practicing Company Secretary, Flat No 5, Park Villa, No 13, East Abhiramapuram 1st Street, Mylapore, Chennai 600 004.

b. Report

The Report of the Secretarial Auditor in Form MR-3 for the financial year ended March 31, 2016 is annexed as Annexure 1 to the Report. There are no qualifications, reservations or adverse remarks made by Secretarial Auditor in his Report.

iii. Cost Auditor

Name and Address

Mr S Ramachandran, Cost Accountant, 160, MGR Street, Saligramam, Chennai 600 093

22. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The particulars prescribed under clause (m) of sub section (3) of Section 134 of the Companies Act, 2013 read with rule 8 (3) of the Companies (Accounts) Rules, 2014 of the following:

i. Conservation of Energy & Technology Absorption

In view of the nature of activities that are being carried out by the Company, the particulars prescribed under clause (m) of sub section (3) of Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014 on conservation of energy and technology absorption are not applicable to the Company.

ii. **Foreign Exchange Earnings and Outgo**

During the year, the foreign exchange inflow was ₹ 46,694 lakhs and the outflow was ₹ 18,799 lakhs.

23. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The Company has duly complied with the provisions of Section 186 of the Companies Act, 2013. The details of transactions with parties included in the above section are given below:

		₹ in Lakhs
Sify Technologies (Singapore) Pte. Ltd.	:	341
Vashi Railway Station Commercial Complex	:	2
Sarayu Clean Gen Pvt. Ltd.	:	15
Sify Technologies North America Corporation	:	3,078
Total		**3,436**

24. RISK MANAGEMENT

The Board of Directors of the Company has approved the Risk Management Policy wherein all material risks faced by the Company are identified and assessed.

Business risks are identified based on incident analysis and the environment in which the Company operates and the focus on Risk Management continues to be high. The periodic assessment of business risk environment is carried out to identify significant risks to the achievement of business objectives of the Company. Key risks are reported and evaluated at appropriate forums and levels within the Company. The Risk Committee of the Company is responsible for assisting the Audit Committee with a full status of the risk assessment and management of the risks. Audit Committee and the Board also obtain periodical updates on identified risks, depending upon the nature, quantum and likely impact on the business.

25. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013, the Policy on Corporate Social Responsibility (CSR) approved by the Board has been displayed on the Company's website at http://corporate.sify.com/csr-policy.html.

For the Financial Year 2015-16, the Company had spent ₹ 52,66,412/- towards CSR Projects as detailed herein below:

Particulars	**Amount in ₹**	**Amount in ₹**
Amount to be spent towards CSR		51,79,000
Amount Spent		
Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust (VIRRD), Dwarakha Tirumala	45,00,000	
District Institute of Education and Training (DIET), Angaluru	5,00,000	
ICT Academy of Tamilnadu	2,00,000	
Special Children Sports Academy	50,000	
Book Donations to District Institute of Education and Training, Angaluru	16,412	

1. **Contribution to VIRRD Trust:** the Company has contributed ₹ 45,00,000/- towards purchase of Digital X ray machine and DSS suction pump for the Hospital run by the trust.

2. **DIET:** the Company has contributed ₹ 5,00,000/- towards Donation to DIET for construction of class rooms.

3. **Book Donation:** ICT Academy of Tamil Nadu ₹ 2,00,000/- and to the Library of DIET ₹ 16,412/-.

4. **Special Children Sports Academy:** the Company has contributed ₹ 50,000/- to Special Children Sports Academy for the sports meet.

   Annual Report on CSR is attached as Annexure 2.

26. RELATED PARTY TRANSACTIONS

Particulars of contracts / arrangements entered into by the Company with Related Parties referred to in Sub-section 1 of Section 188 of the Companies Act, 2013 during the Financial Year 2015 -16 are listed below:

Subsidiary Companies

Sify Technologies (Singapore) Pte. Limited	**Amount in ₹ Lakhs**
Advances given	79
Loan given	100
Loan repaid	100
Receipt of Services	355
Investment made in Equity Shares	340
Purchase of goods	8
Sify Technologies North America Corporation	**Amount in ₹ Lakhs**
Receipt of services	164
Advances given	16
Rendering of Services	760

Holding Company

Raju Vegesna Infotech and Industries Private Limited	**Amount in ₹ Lakhs**
Lease rental paid	10

Enterprise over which KMP have significant influence

Raju Vegesna Developers Private Limited	**Amount in ₹ Lakhs**
Lease rental paid	4
Radhika Vegesna	
Lease rental paid	35

Others

Name of the Director	Nature of Payment	Amount in ₹ Lakhs
Dr T H Chowdary, Director	Professional Services	2
Ms Vegesna Bala Saraswathi, Director	Sitting Fees	1

27. EXTRACT OF ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 read with rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in Form MGT - 9 as part of this Annual Report is attached as Annexure 3.

28. EMPLOYEES' PARTICULARS IN TERMS OF SECTION 134 READ WITH RULES THEREWITH OF THE COMPANIES ACT, 2013

The statement containing the particulars of employees as required under Section 197 of the Companies Act, 2013 read with rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report. However, in terms of Section 136(1) of the said Act, the same is open for inspection at the Registered Office of the Company. Copy of this statement may be obtained by the members by writing to the Company Secretary at the Registered Office.

29. CONVERGENCE WITH IND AS FROM APRIL 1, 2015

Your Directors vide Report dated April 23, 2015 has expressed the intention of your Company to converge with Ind AS as notified by Ministry of Corporate Affairs Notification of Ind AS making Indian accounting system at par with leading global standards. Though the Company is required to adopt Ind AS from the year 2016-17 onwards, your Company has opted for earlier adoption of Ind AS voluntarily from the year 2015-16 itself. Accordingly, the financial statements for 2015-16 have been drawn up as per Ind AS and opening Balance Sheet as of April 1, 2014 has been restated to reflect the changes brought in by Ind AS.

Reconciliation of Standalone Statement of Profit and Loss as per Ind AS with previous GAAP for the year ended March 31, 2016:

₹ in lakhs

	Particulars	Year ended March 31, 2016
	Profit as per Ind AS	4,856
1.	Amortization of lease prepayments	50
2.	Interest Income on Security Deposits	(41)
3.	Significant financing component in trade receivables	(102)
4.	Fair valuation of ASOP	250
5.	Gain/loss on re-measurement of defined benefit plans	14
	Profit as per previous GAAP	5,027

Reconciliation of Consolidated Statement of Profit and Loss as per Ind AS with previous GAAP for the year ended March 31, 2016:

₹ in lakhs

	Particulars	Year ended March 31, 2016
	Profit as per Ind AS	4,383
1.	Amortization of lease prepayments	50
2.	Interest Income on Security Deposits	(41)
3.	Significant financing component in trade receivables	(102)
4.	Fair valuation of ASOP	250
5.	Gain/loss on re-measurement of defined benefit plans	14
6.	Gain/loss on translation net foreign operations	134
	Profit as per previous GAAP	4,688

30. AWARDS

Your Directors are pleased to place on record that your Company was awarded the following during the Financial Year 2015-16:

- ✓ National Award for Department of Post (DoP) Network Integration Project.
- ✓ CIO Choice award: Indian CIO community identified Sify Technologies as the Best Service Provider for Data Centre Transformation Services, Managed Network Services & Integrated Data Centre Solution.
- ✓ "Best Use of Technology in Teaching & Learning Practices", National Excellence Awards, at the 9th ASSOCHAM Higher Education Summit 2016.
- ✓ Gold medals at the 2nd Annual NIB Awards: for Sify's Coffee Table Book, produced to commemorate its 15 years on the NASDAQ, and the in-house eMagazine, eZine.
- ✓ Economic Times-English daily accorded the business the "Best Enterprise Data Center" award for the Noida Green Data Center.

31. ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all Investors, Customers, Vendors, Banks and Government Authorities for their continued support. Your Directors also wish to place on record their appreciation of the valuable contribution made by the employees.

For and on behalf of the Board

Chennai	***Raju Vegesna***	***Ananda Raju Vegesna***	***C B Mouli***
April 22, 2016	Chairman and Managing Director	Executive Director	Director

Form No MR-3 **Annexure 1**

SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members

Sify Technologies Limited

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s Sify Technologies Limited (hereinafter called the "Company"). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its Officers, Agents and Authorized Representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made thereunder.
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder:

   As the Company's Equity Shares are not listed in any Stock Exchanges in India, the provisions of the SCRA and the Rules made thereunder is not applicable to the Company.
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder.
4. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment (FDI) and Overseas Direct Investment (ODI).
5. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 are not applicable to the Company as the Company's Equity Shares are not listed in any Stock Exchanges in India.

   The Company's shares are listed in NASDAQ Global Select Market, New York as American Depositary Shares (ADS). Based on the confirmation received from the US Legal Counsel, the Company has complied with the applicable Regulations of Securities & Exchange Commission (SEC), NASDAQ and The Sarbanes Oxley Act of 2002 (SoX).
6. Other applicable Laws:
   a) The Indian Telegraph Act, 1885.
   b) Telecom Regulatory Authority of India Act, 1997.
   c) Unified Licence Agreement compliance from Department of Telecommunications for carrying out Internet Service-A, National Long Distance and International Long Distance services.
   d) The Information Technology Act, 2008.

e) Controller of Certifying Authority - Licence for issue of Digital Signatures.

f) Federal Communications Commission, USA for compliance on Voice Business.

g) Statutory compliance in US & Singapore in respect of Wholly owned Subsidiaries.

h) The Employees Provident Fund & Miscellaneous Provisions Act, 1952.

i) The Employees State Insurance Act, 1948.

j) The Maternity Benefit Act, 1961.

k) The Payment of Bonus Act, 1965.

l) The Payment of Gratuity Act, 1972.

m) The Tamilnadu Labour Welfare Fund Act, 1972.

n) The Tamilnadu Shops and Establishment Act, 1947.

I have also examined the compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) As the Company's shares are not listed in any Stock Exchange in India, the compliance under the Listing Agreements with the Stock Exchange is not applicable.

During the period under audit, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The following changes took place in the composition of the Board of Directors during the period under review.

S. No.	Name of the Director	Remarks
1.	Mr P S Raju	Resigned from the Directorship effective May 31, 2015
2.	Ms Vegesna Bala Saraswathi	Appointed as an Additional Director effective July 22, 2015 and also to comply with the requirement of Woman Director under the provisions of Sub-section 1 of Section 149 of the Companies Act, 2013 read with Rule 3 of Companies (Appointment and Qualification of Directors) Rule 2014.

Adequate notice was given to all the Directors to schedule the Board Meetings, Agenda and detailed notes on Agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the Agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable Laws, Rules, Regulations and Guidelines.

I further report that during the audit period, there were no instances of:

(i) Public / Right / Preferential Issue of Shares / Debentures / Sweat Equity etc.

(ii) Redemption / buy-back of securities.

(iii) Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013:

In terms of the powers conferred on the Board of Directors of the Company under Section 180(1) (a) & (c) of the Act and with the approval of the Board:

a) The Company has created security both on the Movable and Immovable Properties of the Company for the various borrowings made, which were well within the limits approved by the shareholders by Special Resolution at the Eighteenth Annual General Meeting held on July 28, 2014.

b) The Company has borrowed funds from Banks and Non-Banking Financial Companies, which were well within the limits approved by the shareholders by Special Resolution at the Nineteenth Annual General Meeting held on June 18, 2015.

(iv) During the period under review, the Company has extended loan and made investment in Sify Technologies (Singapore) Pte Ltd, a Wholly owned Subsidiary Company, which was approved by the Board as per the details given below:

S. No.	Type	Date of Remittance	Amount in USD
1.	Loan	December 29, 2015	150,000
2.	Equity	January 22, 2016	500,000

As the above transactions are with the Wholly owned Subsidiary, the provisions of Section 186 are not applicable in the above case.

(v) During the period under review, the Company has not entered into any Foreign Technical Collaboration Agreement.

Chennai
April 21, 2016

V Ramasubramanian
Company Secretary
ACS No.5890
CP No.11325

Annexure 2

CORPORATE SOCIAL RESPONSIBILITY REPORT

1. Company's Corporate Social Responsibility (CSR) Policy:

i. Sify Technologies Limited (STL) believes that in alignment with its vision and through its CSR initiatives, will continue to enhance value and promote social sustainability, sustainable development of the environment and social welfare of the people and society at large, more specifically for the deprived and underprivileged persons.

ii. The CSR Policy encompasses the company's philosophy for contributing to society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for the welfare & sustainable development of the community at large, is titled as the 'Sify CSR Policy'.

2. Composition of the CSR Committee

Raju Vegesna, Chairman and Managing Director	Chairman
Ananda Raju Vegesna, Executive Director	Member
C E S Azariah, Independent Director	Member
Suresh Balakrishnan, Company Secretary	Secretary

3. Average Net Profit of the Company for last three financial years

Financial Year	Net Profit before exceptional items in ₹ crores
2014-15	38.50
2013-14	38.49
2012-13	0.70
Total	**77.69**

Average Net Profit = ₹ 25.90 crores

For the financial year 2015-16, a sum of ₹ 51.79 lakhs was to be spent being 2% of the average net profit of ₹ 25.90 crores.

4. CSR Spent during the financial year.

Amount spent as on March 31, 2016:

Particulars	Amount in ₹
Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust (VIRRD), Dwarakha Tirumala	45,00,000
District Institute of Education and Training (DIET), Angaluru	5,00,000
ICT Academy of Tamilnadu	2,00,000
Special Children Sports Academy	50,000
Book Donations to DIET	16,412

5. Reason for not spending the amount in its Board report

Not Applicable

6. Responsibility statement of the CSR Committee:

The implementation and monitoring of CSR Policy, is in compliance with CSR Objectives and Policy of the Company.

Raju Vegesna	**Ananda Raju Vegesna**	**C E S Azariah**
Chairman	*Member*	*Member*

S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs In ₹	Cumulative expenditure upto the reporting period In ₹	Amount Spent: Direct or through implementing agency.* * details of implementing agency
Amount spent as of March 31, 2016:							
1	Health Care	Hospital for the Disabled	Dwarakha Tirumala	45,00,000	45,00,000	45,00,000	Direct Contribution to Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust, Dwarakha, Tirumala
2	Promoting Education	Construction of Class rooms	Angaluru, Andhrapradesh	5,00,000	5,00,000	50,00,000	Direct Contribution to District Institute of Education and Training, Angaluru
3	Promoting Education	Donation of Books	Chennai	2,00,000	2,00,000	52,00,000	Direct Contribution to ICT Academy of Tamilnadu.
4	Promoting Education	Donation of Books	Angaluru, Andhrapradesh	20,000	16,412	52,16,412	Direct Contribution to the Library of District Institute of Education and Training, Angaluru.
5	Sports	Sports meet for the disabled	Chennai	50,000	50,000	52,66,412	Direct Contribution to the Special Children Sports Academy.

Chennai
April 22, 2016

Raju Vegesna
Chairman

Ananda Raju Vegesna
Member

C E S Azariah
Member

Annexure 3

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2016

[Pursuant to section 92(3) *of the Companies Act, 2013* and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

a) Corporate Identification Number (CIN): U72200TN1995PLC0050809

b) Registration Date: December 12, 1995

c) Name of the Company: Sify Technologies Limited

d) Category / Sub-Category of the Company: Company Limited by shares

e) Address of the Registered office and contact details: 2nd Floor, TIDEL Park, No. 4, Rajiv Gandhi Salai, Taramani, Chennai 600 113

f) Whether listed Company: No

g) Name, Address and Contact details of Registrar and Transfer Agent, if any: Not Applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

S. No.	Name and description of Main Products / Services	% to Total Turnover of the Company
1.	Telecom Services	65%
2.	Technology Integration Services	13%
3.	Data Center Services	10%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN / GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1.	Ramanand Core Investment Company Private Limited	U65990AP2011PTC075512	Holding Company	70.02%	2(46)
2.	Sify Technologies (Singapore) Pte Ltd	200922843Z	Subsidiary Company	100%	2(87)
3.	Sify Technologies North America Corporation	-	Subsidiary Company	100%	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the Beginning of the year				No. of Shares held at the end of the year				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1. Indian									
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt	-	-	-	-	-	-	-	-	-
c. State Govt	-	-	-	-	-	-	-	-	-
d. Bodies Corp	1,45,30,000	12,50,00,000	13,95,30,000	78.15	1,45,30,000	12,50,00,000	13,95,30,000	78.15	Nil
e. Banks/FI	-	-	-	-	-	-	-	-	-
f. Any other	-	-	-	-	-	-	-	-	-
Sub-total (A) (1)	1,45,30,000	12,50,00,000	13,95,30,000	78.15	14,530,000	12,50,00,000	13,95,30,000	78.15	Nil
2. Foreign									
a. NRIs - Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Bodies Corp	1,39,02,860	-	1,39,02,860	7.79	1,39,02,860	-	1,39,02,860	7.79	Nil
d. Banks /FI	-	-	-	-	-	-	-	-	-
e. Any other	5,78,191	-	5,78,191	0.32	5,78,191	-	5,78,191	0.32	Nil
Sub-total (A) (2)	1,44,81,051	-	1,44,81,051	8.11	1,44,81,051	-	1,44,81,051	8.11	Nil
Total Shareholding of Promoter A= (A) (1) + (A) (2)	2,90,11,051	12,50,00,000	15,40,11,051	86.27	2,90,11,051	12,50,00,000	15,40,11,051	86.27	Nil

Category of Shareholders	No. of Shares held at the Beginning of the year				No. of Shares held at the end of the year				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding Pattern									
1. Institutions									
a. Mutual Funds	-	-	-	-	-	-	-	-	
b. Banks/FI	-	-	-	-	-	-	-	-	-
c. Central Govt	-	-	-	-	-	-	-	-	-
d. State Govt(s)	-	-	-	-	-	-	-	-	-
e. Venture Capital Funds	-	-	-	-	-	-	-	-	-
f. Insurance Companies	-	-	-	-	-	-	-	-	-
g. FIIs	-	-	-	-	-	-	-	-	-
h. Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i. Others	-	-	-	-	-	-	-	-	-
Sub-total (B) (1):									
2. Non Institutions									
a. Bodies Corp.		-							
1. Indian	-	-	-	-	-	-	-	-	-
2. Overseas	-		-	-	-	-	-	-	-
b. Individuals									
i. Individual Shareholders holding nominal share capital upto ₹ 1 lakh	92	560	652	0.00	92	560	652	0.00	Nil
ii. Individual Shareholders holding nominal share capital excess of ₹ 1 lakh	-	-	-	-	-	-	-	-	-
c. Others (Specify)									
Sub-total (B) (2):	92	560	652	0.00	92	560	652	0.00	Nil
Total public Shareholding B= (B) (1) + (B) (2)	92	560	652	0.00	92	560	652	0.00	Nil
C. Shares held by custodian for GDRs & ADRs	2,45,19,084	0.00	2,45,19,084	13.73	2,45,19,084	0.00	2,45,19,084	13.73	Nil
Grand Total (A+B+C)	5,35,30,227	12,50,00,560	17,85,30,787	100.00	5,35,30,227	12,50,00,560	17,85,30,787	100.00	Nil

ii. Shareholding of Promoters:

Shareholders Name	No. of Shares held at the Beginning of the year			No. of Shares held at the end of the year			% of Change during the year
	No. of Shares	% of Total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged / encumbered to total shares	
Ramanand Core Investment Company Pvt Ltd	12,50,00,000	70.02	0.00	12,50,00,000	70.02	0.00	Nil
Infinity Satcom Universal Pvt Ltd	1,45,30,000	8.14	0.00	1,45,30,000	8.14	0.00	Nil
Infinity Capital Ventures LLP, USA	1,39,02,860	7.79	0.00	1,39,02,860	7.79	0.00	Nil
Vegesna Family Trust, USA	5,78,191	0.32	0.00	5,78,191	0.32	0.00	Nil
Total	**15,40,11,051**	**86.27**	**0.00**	**15,40,11,051**	**86.27**	**0.00**	**Nil**

iii. Change in Promoter's Shareholding (Please specify, if there is no Change)

S. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	No Change			
	Date wise Increase / Decrease in promoters shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)				
	At the end of the year				

iv. Shareholding pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

S. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year				
	Date wise Increase / Decrease in promoters shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)				
	At the end of the year				

v. Shareholding of Directors and Key Managerial Personnel:

S. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil			
	Date wise Increase / Decrease in promoters shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)				
	At the end of the year				

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment (₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i. Principal Amount	35,642	5,077	-	40,719
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	125	58	-	183
Total (i)+(ii)+(iii)	**35,767**	**5,135**	**-**	**40,902**
Change in Indebtedness during the financial year				
Addition	8,217	8,190	-	16,407
Reduction	(3,176)	(8,926)	-	(12,102)
Net Change	**5,041**	**(736)**	**-**	**4,305**
Indebtedness at the end of the financial year				
i. Principal Amount	40,808	4,399	-	45,207
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	129	32	-	161
Total (i)+(ii)+(iii)	**40,937**	**4,431**	**-**	**45,368**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

a. Remuneration to Managing Director, Whole time Director and / or Manager:

S. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		-	-	-	-	
1.	**Gross salary** (a) Salary as per provisions contained in section 17 (1) of the Income tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income tax Act, 1961 (C) Profit in lieu of salary u/s 17(3) of the Income tax Act, 1961			Nil		
2.	**Stock Options**					
3.	**Sweat Equity**					
4.	**Commission** - as % of profit - others, specify.					
5.	**Others, please specify**					
	Total (A)					
	Ceiling as per the Act					

b. Remuneration to other directors:

S. No.	Particulars of Remuneration	Amount in ₹				Total in ₹
		T H Chowdary	C B Mouli	S K Rao	C E S Azariah	
	1. Independent Directors • fee for attending board committee meetings • Commission • Others, please specify	 4,30,000 0 0	 4,50,000 0 0	 4,20,000 0 0	 5,30,000 0 0	
	Total (1)	4,30,000	4,50,000	4,20,000	5,30,000	18,30,000
		P S Raju	Vegesna Bala Saraswathi			
	2. Other Non-Executive Directors • fee for attending board committee meetings • Commission • Others, please specify	 1,20,000 0 0	 1,00,000 0 0			
	Total (2)	1,20,000	1,00,000			2,20,000
	Total (B) = (1)+(2)	20,50,000				

c. Remuneration to Key Managerial Personnel other than MD/WTD/Manager (₹)

S. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		CEO	CFO	CS	Total
1.	**Gross salary**				
	(a) Salary as per provisions contained in section 17 (1) of the Income tax Act, 1961	0.00	1,18,04,249	22,09,213	1,40,13,462
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	0.00	0.00	32,400	32,400
	(c) Profit in lieu of salary u/s 17(3) of the Income tax Act, 1961	0.00	0.00	0.00	0.00
2.	**Stock Options ***	-	-	-	-
3.	**Sweat Equity**	-	-	-	-
4.	**Commission**				
	- as % of profit				
	- others, specify.	-	-	-	-
5.	**Others, please specify**	-	-	-	-
	Total	**0.00**	**1,18,04,249**	**22,41,613**	**1,40,45,862**

* Options granted

VII. PENALTIES / PUNISHMENTS / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD/NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty			Nil		
Punishment					
Compounding					
B. Directors					
Penalty			Nil		
Punishment					
Compounding					
C. Other Officers in Default					
Penalty					
Punishment					
Compounding					

Separate Financial Statements
for the year ended March 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of Sify Technologies Limited

1. Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Sify Technologies Limited("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Statement of Changes in Equity, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Separate Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these separate financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 4 of Companies (Indian Accounting Standards) Rules 2015. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the separate financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid separate financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, its profit, changes in equity and its cash flow for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

5.2 As required by Section 143 (3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity,and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid separate financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with rule 4 of Companies (Indian Accounting Standards) Rules 2015.

e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial control over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 22 (a) (Contingent liabilities) and Note 47 (a) (i), 47 (b) (legal proceedings) to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 31 (Disclosure pursuant to Ind AS 11 – Construction contracts) and Note 44 (a) (Financial and derivative instruments) to the financial statements;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No: 009571N/N500006

D K Giridharan
Partner
Membership No: 028738

Place: Chennai
Date : April 22, 2016

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 5.1 of the Independent Auditors' Report of even date to the members of Sify Technologies Limited on the separate financial statements for the year ended March 31, 2016

(i) a) The Company is maintaining proper records showing full particulars including quantitative details of fixed assets. The Company is in the process of integrating the situation details of fixed assets into the fixed asset records.

b) The Company has a programme of physical verification of fixed assets in a phased manner in a period of three years. Pursuant to the program, majority of the assets were covered by physical verification during the year. The Company is in the process of reconciling the results of the verification with the book records, to identify the discrepancies, if any.

c) According to the information and explanations given to us and on the basis of our examination of the records of the Company (including confirmations received from lenders with whom the immovable properties are mortgaged), the title deeds of immovable properties are held in the name of the Company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms,Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

(v) The Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under.

(vi) We have broadly reviewed the books of account maintained by the Company in respect of services where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under sub-section (1) of section 148 of the Companies Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax/Value Added Tax (VAT), service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax/ Value Added Tax (VAT),service tax, customs duty, excise duty and cess as at March 31, 2016 which have not been deposited on account of a dispute are as follows:

Name of the Statute	Period to which it relates	Amount in ₹ Lakhs	Forum where Pending
Finance Act,1994 (Service tax)	Apr 2005 to Mar 2006, Apr 2006 to Sep 2006, Oct 2006 to Sep 2007, Oct 2007 to Mar 2008	2,315	CESTAT, Chennai
	Apr 2008 & May 2008	111	
	Oct 2005 to Mar 2006	136	
	July 2003 to February 2007	7	
	Prior to 16-May-2009	48	
	Oct 2005 to Mar 2010	1,390	
	Oct 2005 to Mar 2009	156	
	May 2006 to June 2011	337	
	Apr 2010 to Mar 2011	66	
	Jul 2011 to Jun 2012	75	
	Apr 2010 to Jan 2013	32	
	Apr 2011 to Mar 2012	24	
	Apr 2002 to Mar 2007	144	
Uttar Pradesh Value Added Tax Act, 2008	2003-04 to 2005-06	127	At Various levels including Joint Commissioner (Appeals), Commercial Tax Officer, etc
	2011-12	8	Commercial Tax Officer, UP
Income Tax Act, 1961	Assessment year 2008-09	80	Income Tax Appellate Tribunal
	Assessment year 2009-10	1,056	Commissioner of Income Tax Appeals

(viii) According to the records of the Company examined by us and on the basis of information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institution or banks as at the balance sheet date.

(ix) During the year, the Company did not raise any money by way of public offer or further public offer (including debt instruments). In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

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

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, no managerial remuneration is payable to its directors.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No: 009571N/N500006

D K Giridharan
Partner
Membership No: 028738

Place: Chennai
Date : April 22, 2016

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 5.2 (f) of the Independent Auditors' Report of even date to the members of Sify Technologies Limited on the Separate Financial Statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Sify Technologies Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the separate financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected.

Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No: 009571N/N500006

D K Giridharan
Partner
Membership No: 028738

Place: Chennai
Date : April 22, 2016

Balance Sheet as at March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note No. (D)	March 31, 2016	March 31, 2015	April 1, 2014
ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	1	61,279	49,469	39,401
(b) Capital work in progress		1,999	10,268	8,551
(c) Intangible assets	2	5,880	5,568	5,418
(d) Financial assets				
(i) Investments	3	3,436	3,096	2,440
(ii) Trade receivables	4	58	144	59
(iii) Other financial assets	5	2,030	2,616	2,243
(e) Other non-current assets	6	14,171	13,677	17,997
		88,853	84,838	76,109
(2) Current assets				
(a) Inventories	7	7,414	2,331	2,008
(b) Financial assets				
(i) Trade receivables	8	54,788	46,530	35,087
(ii) Cash and cash equivalents	9	14,519	11,785	12,685
(iii) Other financial assets	10	1,112	676	860
(c) Other current assets	11	19,973	16,981	14,536
		97,806	78,303	65,176
Total Assets		186,659	163,141	141,285
EQUITY AND LIABILITIES				
EQUITY				
(a) Equity Share Capital	12	14,231	14,231	14,231
(b) Other Equity	13	61,489	57,796	55,431
		75,720	72,027	69,662
LIABILITIES				
(1) Non - current liabilities				
(a) Financial liabilities				
(i) Borrowings	14	13,911	14,390	12,875
(ii) Other financial liabilities	15	2,050	1,653	1,587
(b) Provisions	16	863	727	302
(c) Other non-current liabilities	17	3,815	3,424	2,731
		20,639	20,194	17,495
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	18	18,759	15,003	10,859
(ii) Trade payables	19	40,306	28,789	23,730
(iii) Other financial liabilities	20	15,781	14,096	9,728
(b) Other current liabilities	21	15,367	12,964	9,726
(c) Provisions	16	87	68	85
		90,300	70,920	54,128
Total Equity and Liabilities		186,659	163,141	141,285

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The accompanying notes referred to above form an integral part of the Balance Sheet
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note No. (D)	For the year ended March 31, 2016	For the year ended March 31, 2015
Revenue from operations	24	147,635	128,115
Other income	25	1,478	1,575
Total Income		149,113	129,690
EXPENSES			
Cost of goods sold and services rendered	26	85,366	72,567
Employee benefits expense	27	17,306	15,516
Finance costs	28	5,654	5,129
Depreciation and amortisation expense	1 and 2	15,959	12,715
Other expenses	29	19,972	19,669
Total expenses		144,257	125,596
Profit before tax		4,856	4,094
Tax expense	32	-	-
Profit after tax		4,856	4,094
Other Comprehensive Income			
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of net defined benefit liability/asset	40	14	(211)
Total Other Comprehensive Income for the year		14	(211)
Total Comprehensive Income for the year		4,870	3,883
Earnings per equity share (₹ 10 paid up)	38		
Basic		3.44	2.90
Diluted		3.43	2.90
Earnings per equity share ₹ 7 (March 31, 2015 : ₹ 7) paid up	38		
Basic		2.41	2.03
Diluted		2.40	2.03

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The notes referred to above form an integral part of the Statement of Profit and loss
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Statement of Changes in Equity for the year ended March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

A. Equity Share Capital

Balance as at April 1, 2014	Change in Equity Share Capital during the year	Balance as at March 31, 2015	Change in Equity Share Capital during the year	Balance as at March 31, 2016
14,231	-	14,231	-	14,231

B. Other Equity

	Reserves and surplus			Other Components of Equity		Total
	Securities Premium	General Reserve	Retained earnings	Stock Options Outstanding	Remeasurements of net defined benefit liability/asset	
2014-15						
Balance as at April 1, 2014 - (A)	71,110	536	(16,639)	3	421	**55,431**
Profit for the year			4,094			**4,094**
Other comprehensive income					(211)	**(211)**
Total comprehensive income for the year 2014-15 (B)			**4,094**		**(211)**	**3,883**
Stock options transferred to general reserve		3		(3)		
Employee stock compensation cost for the year				117		**117**
Adjustment of (deficit)/ surplus arising on account of business combination			(36)			**(36)**
Dividend paid (Including dividend distribution tax) for 2013-14 approved by shareholders in annual general meeting held on July 28, 2014			(1,599)			**(1,599)**
Balance as at March 31, 2015 - (C)	**71,110**	**539**	**(14,180)**	**117**	**210**	**57,796**
Accumulated losses dealt with vide scheme of merger as per contra [Refer note D (48)] - (D)	**(27,661)**		**27,661**			
Amount carried forward to Balance Sheet [(E) = (C)+(D)]	**43,449**	**539**	**13,481**	**117**	**210**	**57,796**
2015-16						
Balance as at April 1, 2015 - (A)	**71,110**	**539**	**(14,180)**	**117**	**210**	**57,796**
Profit for the year			4,856			**4,856**
Other comprehensive income					14	**14**
Total comprehensive income for the year 2015-16 - (B)			**4,856**		**14**	**4,870**
Employee stock compensation cost for the year				520		**520**
Dividend paid (Including dividend distribution tax) for 2014-15 approved by shareholders in annual general meeting held on June 18, 2015			(1,697)			**(1,697)**
Balance as at March 31, 2016 - (C)	**71,110**	**539**	**(11,021)**	**637**	**224**	**61,489**
Accumulated losses dealt with vide scheme of merger as per contra [Refer note D (48)] - (D)	**(27,661)**		**27,661**			
Amount carried forward to Balance Sheet [(E) = (C)+(D)]	**43,449**	**539**	**16,640**	**637**	**224**	**61,489**

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The notes referred to above form an integral part of the Statement of Changes in Equity
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Cash Flow Statement for the year ended March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

		For the year ended March 31, 2016	For the year ended March 31, 2015
Profit before tax		4,856	4,094
Adjustments for:			
Depreciation and amortisation expense		15,959	12,715
Finance expenses (considered separately)		4,394	4,126
Provision for doubtful debts (including bad debts written off and provision written back) (net)		1,822	1,990
Employee stock compensation expense		520	117
Deposits/advances no longer payable,written back		-	(416)
Provision for expenses no longer required written back		(499)	-
Provision for doubtful advances		-	616
Amortisation of lease prepayments		147	144
Unrealised foreign exchange fluctuation loss/(gain), net		310	607
Interest income (considered separately)		(438)	(611)
(Profit) /loss on sale of Property, Plant and Equipment (net)		(16)	(40)
Operating profit / (loss) before working capital changes		27,055	23,342
(Increase)/decrease in trade receivables		(10,158)	(13,427)
(Increase)/decrease in non current trade receivables		86	(85)
(Increase)/decrease in inventories		(5,083)	(323)
(Increase)/decrease in other financial assets		(586)	101
(Increase)/decrease in other non current financial assets		586	(373)
(Increase)/decrease in other non current assets		(710)	(4,051)
(Increase)/decrease in other current assets		1,922	(699)
Increase/(decrease) in trade payables		11,884	5,148
Increase/(decrease) in other non current financial liabilities		397	66
Increase/(decrease) in other non current liabilities		391	693
Increase/(decrease) in other financial liabilities		(68)	(91)
Increase/(decrease) in other current liabilities		2,403	3,654
Increase/(decrease) in long term provisions		150	214
Increase/(decrease) in short term provisions		19	(17)
Cash generated from operations		28,288	14,152
Tax (paid)/refund received		(4,914)	(3,088)
Net cash generated from operating activities	*(A)*	23,374	11,064
Cash flow from investing activities			
Investment in subsidiary		(340)	(3,078)
Purchase of Property, Plant and Equipment		(15,985)	(5,806)
Sale proceeds of Property, Plant and Equipment		17	40
Advance to subsidiaries		152	(7)
Interest income received		436	701
Net cash used in investing activities	*(B)*	(15,720)	(8,150)
Cash flow from financing activities			
Proceeds from long-term borrowings		12,585	9,806
Repayment of long-term borrowings		(15,047)	(11,394)
Increase/(decrease) in short-term borrowings		4,034	2,298
Dividend paid		(1,410)	(1,367)
Dividend distribution tax paid		(287)	(232)
Interest paid		(4,416)	(4,083)
Net cash generated from/ (used in) financing activities	*(C)*	(4,541)	(4,972)
Effect of exchange differences on translation of cash and cash equivalents	*(D)*	(8)	(45)
Net increase/(decrease) in cash and cash equivalents during the year	*(A) + (B) + (C) + (D)*	3,105	(2,103)
Cash and cash equivalents at the beginning of the year		4,216	6,312
Cash and cash equivalents taken over as part of Business combination		-	7
Cash and cash equivalents at the end of the year# [Refer Note D (9)]		7,321	4,216
# Cash and cash equivalents subject to lien		3,142	2,179
Significant accounting policies and notes to the financial statements (Refer notes C and D)			

The notes referred to above form an integral part of the Cash Flow Statement
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

(All amounts are in Indian ₹ lakhs except share data and as stated)

A. COMPANY OVERVIEW

Sify Technologies Limited ('Sify' or 'the Company') is a Company domiciled in India. The address of the Company's registered office is 2nd Floor, Tidel Park, 4, Rajiv Gandhi Salai, Taramani, Chennai – 600113, India. The Company offers converged ICT solutions comprising network, data center, cloud, integration, IT and software services. The Company was incorporated on December 12, 1995 and is listed on the NASDAQ Global Select Market.

B. BASIS OF PREPARATION

The Ministry of Corporate Affairs ('the MCA'), Government of India in exercise of the powers conferred by Section 133 read with Section 469 of the Companies Act, 2013 (The 'Act') and subsection 1 of section 210A of the Companies Act 1956 (The Erstwhile Act) in consultation with National Advisory Committee on Accounting Standards vide G.S.R. 111(E) dated February 15, 2015 notified Rules called Companies (Indian Accounting Standard) Rules 2015 effective April 1, 2015. The MCA vide notification G.S.R. 365(E) dated March 30, 2016 issued certain amendments to Ind AS vide Companies (Indian Accounting Standards) Amendment Rules 2016. The MCA vide notification G.S.R. 404 (E) dated April 6, 2016 introduced amendments to Schedule III of the Act requiring companies to prepare the financial statements in compliance with Companies (Indian Accounting Standard) Rules 2015.

The Company vide its Board resolution dated April 23, 2015 resolved to voluntarily adopt Ind AS in preparation of financial statements for the year ended March 31, 2016. Pursuant to the above resolution and rules framed by MCA, the Company prepared its financial statements as per Ind AS for the year ended March 31, 2016 with April 1, 2014 being the date of transition. The comparative figures in the Balance Sheet as at March 31, 2015 and April 1, 2014 and Statement of Profit and Loss and Cash Flow Statement for the year ended March 31, 2015 have been restated accordingly.

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis of accounting, except for Cash Flow Statement and Assets and Liabilities that have been measured on fair value basis. GAAP comprises of Indian Accounting Standards (Ind AS) as specified in Section 133 of the Act read together with Rule 4 of Companies (Indian Accounting Standards) Rules 2015 and Rule 4 of Companies (Indian Accounting Standards) Amendment Rules 2016 to the extent applicable, pronouncements of regulatory bodies applicable to the Company and other provisions of the Act. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set-out in note C (21). Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

1. Statement of Compliance

The Financial Statements comprising Balance Sheet, Statement of Profit and Loss, Statement of changes in Equity, Cash Flow Statement, together with notes for the year ended March 31, 2016 have been prepared in accordance with Ind AS as notified above duly approved by the Board of Directors at its meeting held on April 22, 2016.

2. Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Financial assets at fair value through other comprehensive income are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.
- The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.
- In relation to lease prepayments, the initial fair value of the security deposit is estimated as the present value of the refundable amount, discounted using the market interest rates for similar instruments. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment.

The above items have been measured at fair value and the methods used to measure fair values are discussed further in Note C (19).

3. Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). Indian rupee is the functional currency of the Company.

The financial statements are presented in Indian Rupees (₹) which is the Company's presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest lakhs except where otherwise indicated.

4.1. First-time adoption of Ind AS

The financial statements for the year ended March 31, 2016 are the first financial statements prepared by the Company in accordance with Ind AS.

For the periods upto and inclusive of year ended March 31, 2015, the Company prepared its financial statements in accordance with accounting standards specified in Section 133 of the Companies Act 2013 read together with rule 7 of Companies (Accounting Standards) Rules 2014 (Previous GAAP). Reconciliation and description of the effect of transition from previous GAAP to Ind AS on equity, profit and cash flows are provided in Note 30. The Balance Sheet as on the date of transition has been prepared in accordance with Ind AS 101 First- time Adoption of Indian Accounting Standards.

Ind AS 101 requires that all Ind AS effective for the first Ind AS Financial Statements, be applied consistently and retrospectively for all fiscal years presented. However, this standard provides some exceptions and exemptions to this general requirement in specific cases. The application of these exceptions and exemptions are as discussed below:

4.2. Exceptions to retrospective application of other Ind AS

i. ***Estimates:*** An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is an objective evidence that those estimates were in error. The Company has not made any changes to estimates made in accordance with Previous GAAP.

ii. ***Ind AS 109-Financial instruments (Derecognition of previously recognised financial assets / financial liabilities):*** An entity shall apply the derecognition requirements in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. The Company has applied the derecognition requirements prospectively.

iii. ***Ind AS 109 - Financial instruments (Hedge accounting)*** – At the date of transition to Ind AS, an entity shall measure all derivatives at fair value and eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities. The Company has measured all derivatives at fair value eliminating deferred losses and gains arising on derivatives.

Under Ind AS 109, hedge accounting is to be applied only to hedging relationships that meet the requirements for hedge accounting on the date of transition. An entity shall not reflect in its opening Ind AS Balance sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with Ind AS 109. However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with Ind AS an individual item within the net position, or a net position if that meets the requirements of Ind AS 109 provided that it does so no later than the date of transition to Ind AS. If, before the date of transition to Ind AS, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in Ind AS 109, the entity shall discontinue hedge accounting. Transactions entered into before the date of transition to Ind AS shall not be retrospectively designated as hedges. The company does not have hedging relationships to which exception applies and hence this exception does not apply.

iv. ***Ind AS 109 Financial instruments (Classification and measurement of financial assets):*** Classification and measurement of financial assets shall be made on the basis of the facts and circumstances that exist at the date of transition to Ind AS. The Company has evaluated the facts and circumstances existing on the date of transition to Ind AS for the purpose of classification and measurement of financial assets and accordingly has classified and measured financial assets on the date of transition.

v. ***Ind AS 109 Financial instruments (Impairment of Financial Assets):*** Impairment requirements under IND AS 109 should be applied retrospectively based on the reasonable and supportable information that is available on transition date without undue cost or effort. The Company has applied impairment requirements retrospectively.

vi. ***Ind AS 109 Financial instruments (Embedded derivatives):*** Ind AS 109 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of conditions that existed at the later of the date it first became party to the contract and the date a reassessment is required. The Company does not have any embedded derivative on the transition date.

vii. ***Ind AS 109 Financial instruments (Government Loans):*** A first-time adopter shall classify all Government loans received as a financial liability or an equity instrument in accordance with Ind AS 32, Financial Instruments: Presentation. If a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS Balance sheet. An entity shall apply Ind AS 109 to the measurement of such loans after the date of transition to Ind AS. An entity shall apply the requirements of Ind AS 109 and Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to Government loans existing at the date of transition to Ind AS and shall not recognise the corresponding benefit of the Government loan at a below market rate of interest as a Government grant. The Company did not avail any Government loan as on the date of transition.

4.3. Exemptions from retrospective application of Ind AS

i. ***Ind AS 103 Business combinations:*** An entity may elect not to apply Ind AS 103 retrospectively to all business combinations that occurred before the date of transition to Ind AS. The Company has elected not to apply Ind AS 103 to business combinations that occurred before the date of transition to Ind AS.

ii. ***Ind AS 102 Share based Payment:*** An entity may elect to apply Ind AS 102 to equity instruments that vested before the date of transition to Ind AS. The Company has not applied Ind AS 102 to grants which vested before the date of transition to Ind AS.

iii. ***Ind AS 104 Insurance Contracts:*** An entity shall apply Ind AS 104 for annual periods beginning on or after the date of transition to Ind AS. If an entity applies Ind AS 104 for a earlier period, it shall disclose the fact. Ind AS 104 is not applicable to the Company.

iv. ***Ind AS 16 Property, Plant and Equipment/ Ind AS 38 Intangible assets:*** An entity may elect to measure an item of property, plant and equipment and Intangible asset at the date of transition to Ind AS at its fair value and use that fair value as deemed cost at that date or may measure the items of property, plant and equipment, intangibles by applying Ind AS retrospectively or use the carrying amount under Previous GAAP on the date of transition as deemed cost. The Company has elected to continue with the carrying amount for all of its property, plant and equipment and Intangible assets measured as per Previous GAAP and use that as its deemed cost as at the date of transition.

Decommissioning liabilities included in the cost of Property, Plant and Equipment: Appendix A to Ind AS 16 on Changes in Existing, Decommissioning, Restoration and Similar Liabilities requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such

(All amounts are in Indian ₹ lakhs except share data and as stated)

liabilities that occurred before the date of transition to Ind AS. The Company has not adjusted changes in liabilities to the cost of assets retrospectively.

v. ***Ind AS 17 Leases:*** An entity shall determine based on facts and circumstances existing at the date of transition to Ind AS whether an arrangement contains a Lease and when a lease includes both land and building elements, an entity shall assess the classification of each element as finance or operating lease. The Company has used this exemption and assessed all arrangements based on conditions existing as at the date of transition.

vi. ***Ind AS 21 The effect of changes in foreign exchange rates:*** Cumulative translation differences for all foreign operations shall be deemed to be zero on the date of transition to Ind AS. This exemption does not apply to the Company.

Long Term Foreign currency Monetary items: A first- time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The Company did not adopt the policy of amortising exchange differences on long term foreign currency monetary items and hence this exemption does not apply.

vii. ***Ind AS 27 Separate financial statements:*** An entity is required to account for its investments in subsidiaries, joint ventures and associates either:

(a) at cost; or

(b) in accordance with Ind AS 109. Such cost shall be cost as per Ind AS 27 or deemed cost. The deemed cost of such an investment shall be its fair value on the date of transition to Ind AS or Previous GAAP carrying amount at that date. The Company has elected to measure its investment in subsidiaries at cost determined in accordance with Ind AS 27 i.e. original cost of investment in subsidiaries.

viii. ***Ind AS 32 Financial Instruments: Presentation:*** Ind AS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. As per Ind AS 101 First Time Adoption of Ind AS, if the liability component is no longer outstanding at the date of transition to Ind AS, an entity need not separate the amount recognised in equity into retained earnings and issued equity. This exemption is not applicable as the Company has not issued any compound financial instruments.

ix. ***Ind AS 109 Financial Instruments:*** Ind AS 109 permits an entity to designate a financial liability, financial asset (meeting certain criteria) at fair value through profit or loss. A financial liability/ financial asset shall be designated at fair value through profit or loss, on the basis of the facts and circumstances that exist at the date of transition to Ind AS. There are no financial liabilities or financial assets that are specifically designated at FVTPL and hence this exemption is not applicable.

An entity may designate an investment in an equity instrument as at fair value through other comprehensive income (FVTOCI) in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS. The Company has designated unquoted equity instruments in companies other than subsidiaries as at FVTOCI, based on the assessment made on the date of transition to Ind AS.

x. ***Ind AS 105 Non-current Assets held for Sale and Discontinued operations:*** Ind AS 105 requires that non-current assets (or disposal groups) that meet the criteria to be classified as held for sale, non-current assets (or disposal groups) that are held for distribution to owners and operations that meet the criteria to be classified as discontinued operations shall be carried at lower of its carrying amount and fair value less costs to sell on the date of such identification. A first time adoptor can measure such assets or operations on the date of transition to Ind AS and recognise the difference between that amount and carrying amount under previous GAAP directly in retained earnings.

The Company does not have any non current asset/ disposal groups to be classified as held for sale. Hence, this exemption is not applicable to the Company.

5. Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Application of accounting policies that require critical accounting estimates and assumption having the most significant effect on the amounts recognized in the financial statements are:

- Valuation of financial instruments [Note C(2)]
- Useful lives of property, plant and equipment [Note C(4)]
- Useful lives of intangible assets [Note C(6)]
- Lease classification [Note C(7)]
- Determination of percentage completion in construction contracts [Note C(9)]
- Measurement of defined employee benefit obligations [Note C (11)]
- Measurement of share-based payments [Note C(12)]
- Provisions [Note C(13)]
- Utilization of tax losses [Note C(17)]

C. SIGNIFICANT ACCOUNTING POLICIES

1. Foreign currency

(i) ***Foreign currency transactions and balances***

Transactions in foreign currencies are initially recognized in the financial statements using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing on the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Foreign currency differences arising on translation are recognized in the Statement of Profit and Loss for determination of net profit or loss during the period.

(ii) ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations and cash flows are translated to using average exchange rates during the period. Any differences arising on such translation are recognized in other comprehensive income. Such differences are included in the foreign currency translation reserve “FCTR” within other components of equity. When a foreign operation is disposed off, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

2. Financial Instruments

a. Financial Assets

Financial assets comprises of investments in equity and debt securities, trade receivables, cash and cash equivalents and other financial assets.

Initial recognition:

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Subsequent measurement:

(i) Financial assets measured at amortized cost:

Financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using effective interest rate (EIR) method. The EIR amortisation is recognised as finance income in the Statement of Profit and Loss.

The Company while applying above criteria has classified the following at Amortised cost

a) Trade receivable

b) Other financial assets

(ii) ***Financial assets at fair value through other comprehensive income (FVTOCI):***

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at FVTOCI. Fair value movements in financial assets at FVTOCI are recognised in other comprehensive income.

Equity instruments held for trading are classified as at fair value through profit or loss (FVTPL). For other equity instruments the company classifies the same as at FVTOCI. The classification is made on initial recognition and is irrevocable. Fair value changes on equity investments at FVTOCI, excluding dividends, are recognised in other comprehensive income (OCI).

(iii) ***Financial assets at fair value through profit or loss (FVTPL):***

Financial asset are measured at fair value through profit or loss if it does not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income. All fair value changes are recognised in the Statement of Profit and Loss.

Derecognition of financial assets:

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition. On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in the Statement of Profit and Loss.

Impairment of financial assets:

Trade receivables, contract assets, lease receivables under Ind AS 109, investments in debt instruments that are carried at amortised cost, investments in debt instruments that are carried at FVTOCI are tested for impairment based on the expected credit losses for the respective financial asset.

(i) ***Trade receivables***

An impairment analysis is performed at each reporting date. The expected credit losses over lifetime of the asset are estimated by adopting the simplified approach using a provision matrix which is based on historical loss rates reflecting current condition and forecasts of future economic conditions. In this approach assets are grouped on the basis of similar credit characteristics such as industry, customer segment, past due status and other factors which are relevant to estimate the expected cash loss from these assets.

(ii) ***Other financial assets***

Other financial assets are tested for impairment based on significant change in credit risk since initial recognition and impairment is measured based on probability of default over the lifetime when there is significant increase in credit risk.

b. Financial liabilities

Initial recognition and measurement:

Financial liabilities are initially recognised at fair value plus any transaction cost that are attributable to the acquisition of the financial liabilities except financial liabilities at fair value through profit or loss which are initially measured at fair value.

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Subsequent measurement:

The financial liabilities are classified for subsequent measurement into following categories:

- at amortised cost

- at fair value through profit or loss

(i) ***Financial liabilities at amortised cost***

The company is classifying the following under amortised cost;

a) Borrowings from banks

b) Borrowings from others

c) Finance lease liabilities

d) Trade payables

e) Other financial liabilities

Amortised cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

(ii) ***Financial liabilities at fair value through profit or loss***

Financial liabilities held for trading are measured at FVTPL.

Derecognition of financial liabilities:

A financial liability shall be derecognised when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

c. Derivative financial instruments

Foreign exchange forward contracts and options are entered into by the Company to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. The Company also enters into cross currency interest rate swaps for hedging the risk against variability in cash flows of its term loan. These derivative contracts do not qualify for hedge accounting under Ind AS 109, and are initially recognized at fair value on the date the contract is entered into and subsequently measured at fair value through profit or loss. Gains or losses arising from changes in the fair value of the derivative contracts are recognized in profit or loss.

d. Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in Balance Sheet when, and only when, the Company has a legal right to offset the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

e. Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are categorised as equity instruments at FVTOCI and financial assets or liabilities that are specifically designated as FVTPL. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be very infrequent. The management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

3. Share capital

Ordinary shares are classified as Equity. Incremental costs directly attributable to the issue of new ordinary shares or share options are recognized as a deduction from Equity, net of any tax effects.

4. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased

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software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment and are recognized net within “other income / other expenses” in the Statement of Profit and Loss.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit and Loss.

Depreciation

Depreciation is recognized in the Statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation on contract-specific assets are charged co-terminus over the contract period. Management’s estimated useful lives for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Estimate of useful life in years
Buildings	28
Plant and equipment	
- Tower, telecom ducts, cables and optical fibre and telecom transceivers	3 - 8
- Computer servers	5
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

The depreciation method, useful lives and residual value are reviewed at each of the reporting date.

5. Business combinations

Business combinations are accounted for using Ind AS 103 Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103. The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transactions costs that the Company incurs in connection with a business combination such as finder’s fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

The acquisition of an asset or a group of assets that does not constitute a ‘business’ as per Ind AS 103 is accounted for by identifying and recognizing the individual identifiable assets acquired and liabilities assumed. The cost of the group of assets is allocated to such individual identifiable assets and liabilities on the basis of their relative fair values on the date of purchase.

Business combinations involving entities or businesses under common control have been accounted for using the pooling of interests method.

6. Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Amortization of intangible assets with finite useful lives:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and previous year are as follows:

	Estimate of useful life in years
System software	1 - 3
Undersea cable capacity	12
Other Intangibles	3 - 5

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

7. **Leases**

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Assets taken on finance lease:

A finance lease is recognized as an asset and a liability at the commencement of lease, at lower of the fair value of leased asset or the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets taken on operating lease:

Assets taken on operating leases are not recognized on the Company's Balance Sheet. Payments made under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

Assets given on finance lease:

The Company is a dealer lessor for leasing various types of products sold to its customers. Profit or loss on sale of such products is recognized in accordance with the policy on outright sales. Finance income i.e., excess of gross minimum lease payments and normal selling price is recognized over the lease period.

Assets given on operating lease:

Assets given on operating lease are depreciated over the useful life of the assets. Rental income is recognised in the Statement of profit and loss on a straight line basis over the lease term.

Deposits provided to lessors:

The Company is generally required to pay refundable security deposits in order to obtain property leases from various lessors. Such security deposits are financial assets and are recorded at fair value on initial recognition. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment. The initial fair value is estimated as the present value of the refundable amount of security deposit, discounted using the market interest rates for similar instruments."

Subsequent to initial recognition, the security deposit is measured at amortized cost using the effective interest method with the carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognized as interest income. The lease prepayment is amortized on a straight line basis over the lease term as lease rental expense.

8. **Inventories**

Inventories comprising traded hardware and software are measured at the lower of cost (determined using first-in first-out method) and net realizable value. Cost comprises cost of purchase and all directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated cost necessary to make the sale.

9. **Construction contracts in progress**

Construction contracts in progress represent the gross unbilled amount expected to be billed to customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billing and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contracts and activities based on normal operating capacity. Percentage completion is measured based on the amount of time and effort spent on a project.

Construction contract in progress is presented as part of other current assets in the Balance Sheet for all contracts in which costs are incurred plus recognized profit exceed progress billings. If progress billings exceeds cost incurred plus recognized profits, the difference is presented as deferred income / unearned revenue in the Balance Sheet.

10. Impairment of non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

Reversal of impairment loss

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized directly in other comprehensive income and presented within equity.

11. Employee benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Company, as detailed below:

(a) Defined contribution plan (Provident fund)

In accordance with Indian law, eligible employees receive benefits from provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company does not have any legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligation for contributions to the plan is recognized as an employee benefit expense in the Statement of Profit and Loss when incurred.

(b) Defined benefit plans (Gratuity)

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service cost and the fair value of plan assets are deducted. The discount rate is the yield at the reporting date on risk free government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The Company recognizes all remeasurements of net defined benefit liability/asset directly in other comprehensive income and presented within equity. The Company has an employees' gratuity fund managed by the Life Insurance Corporation of India (LIC).

(c) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(d) Compensated absences

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The Company recognizes an obligation for compensated absences in the period in which the employee renders the services. The Company provides for the expected cost of compensated absence in the Statement of Profit and Loss as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated based on actuarial valuations carried out by an independent actuary at the balance sheet date.

12. Share-based payment transactions

The fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the options are vested. The increase in equity recognized in connection with a share based payment transaction is presented as a separate component in equity. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest. In respect of options whose terms and conditions are modified, the Company includes the incremental fair value of the options in the measurement of the amounts recognized for services received from the employees. The incremental fair value is the difference between the fair value of the modified option and that of the original option both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

13. Provisions

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(All amounts are in Indian ₹ lakhs except share data and as stated)

14. **Revenue recognition**

(i) **Revenue from sale of goods**

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

(ii) **Revenue from services**

Revenue from services rendered is generally recognized in proportion to the stage of completion of the transaction at the reporting date. Revenue is recognized when the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the Company;
- the stage of completion at the Balance Sheet date can be measured reliably; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The revenue recognition in respect of the various streams of revenue is described as follows:

(a) **Telecom Services:**

Revenue from Telecom services include Data network services and Voice services. Telecom services primarily include revenue from connectivity services, NLD/ILD services, network management and revenue from the installation of connectivity links.

The Company provides connectivity and network management for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work.

(i) **Income from operating leases:**

Lease rentals arising on assets given on operating leases are recognised over the period of the lease term on a straight line basis.

(ii) **Indefeasible Right of Use (IRU):**

The Company has entered into IRU arrangements through which it entitles its customers the right of use of specified bandwidth capacity for a specified period of time. The upfront payment received towards right of use of bandwidth capacities under such agreements have been treated as deferred revenue and is recognised on a straight line basis over the term of the arrangement.

(b) **Data Center Services (DC):**

Revenues from DC services consist of co-location of racks, caged racks and power charges. The contracts are mainly for a fixed rate for a period of time and are recognised over the period during which the service is provided.

(c) **Cloud and Managed Services:**

Revenue from cloud and managed services include revenue from cloud and storage solutions, managed services, value added services and International managed services. Revenues from cloud and on demand compute and storage, are primarily fixed for a period of time. Revenues from domestic and international managed services comprise of value added services, operations and maintenance of projects and remote infrastructure management. Contracts from this segment are fixed term or time and material contracts where revenue is recognised on percentage completion method. The stage of completion is measured by efforts spent to estimated total efforts on straight line basis over the term of the contract.

(d) **Technology Integration Services:**

Revenue from Technology Integration Services include System Integration Services, revenue from construction of data centers, security solutions, digital certificate based authentication services and revenue from sale of hardware and software.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Revenue from construction contract represents revenue from construction of data centres to the specific needs and design of the customer. Such contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in the Statement of Profit or Loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the Statement of Profit and Loss.

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

(e) Applications Integration Services:

Revenue from Applications Integration services include online assessment, document management services, web development, mailing solutions, supply chain software and e-learning software development services. E-learning software development services consists of structuring of contents, developing modules, delivery and training users in the modules developed. Revenue from Applications Integration Services is recognised based on percentage of completion method. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click throughs / leads delivered.

In certain cases, some elements belonging to the services mentioned above are sold as a package consisting of all or some of the elements. In these cases, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are recognised as separable elements because each element constitutes a separate earning process, has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements.

(iii) Deferred income

Deferred income represents unserviced portion of billed contracts.

15. Finance Income and expense

Finance income comprises of interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it accrues in Statement of Profit and Loss, using the effective interest method. Dividend income is recognized in Statement of Profit and Loss on the date when the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises of interest expense on loans and borrowings, bank charges, unwinding of discount on provision, fair value losses on financial assets at fair value through profit or loss that are recognized in Statement of Profit and Loss. Fair value changes attributable to hedged risk are recognised in Statement of Profit and Loss.

16. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which they are incurred. To the extent the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowings costs eligible for capitalization by applying a capitalization rate to the expenditure incurred on such asset. The capitalization rate is determined based on the weighted average of borrowing costs applicable to the borrowings of the Company which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing costs that the Company capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.

17. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Minimum Alternate Tax (MAT) is accounted as current tax when the Company is subjected to such provisions of the Income Tax Act. However, credit of such MAT paid is available when the Company is subjected to tax as per normal provisions in the future. Credit on account of MAT is recognized as an asset based on the management's estimate of its recoverability in the future.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and

(ii) differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future.

(iii) Arising due to taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxation arising on investments in subsidiaries and associates is recognized except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation on temporary differences arising out of undistributed earnings of the equity method accounted investee is recorded based on the management's intention. If the intention is to realize the undistributed earnings through sale, deferred tax is measured at the capital gains tax rates that are expected to be applied to temporary differences when they reverse. However, when the intention is to realize the undistributed earnings through dividend, the company's share of the income and expenses of the equity method accounted investee is recorded in the Statement of Profit and Loss, after considering any taxes on dividend payable by the equity method accounted investee and no deferred tax is set up in the books as the tax liability is not with the company.

18. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Where ordinary shares are issued but not fully paid, they are

(All amounts are in Indian ₹ lakhs except share data and as stated)

treated in the calculation of basic earnings per share as a fraction of an ordinary share to the extent that they were entitled to participate in dividends during the period relative to a fully paid ordinary share. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes share options granted to employees. To the extent that partly paid shares are not entitled to participate in dividends during the period, they are treated as the equivalent of warrants or options in the calculation of diluted earnings per share.

19. Fair value measurement

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The fair value hierarchy is described as below:

Level 1 - unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investments in equity and debt securities

The fair value is determined by reference to their quoted price at the reporting date. In the absence of quoted price, the fair value of the financial asset is measured using valuation techniques.

(ii) Trade and other receivables

The fair value of trade and other receivables, excluding construction contracts in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. However in respect of such financial instruments, fair value generally approximates the carrying amount due to the short term nature of such assets. This fair value is determined for disclosure purposes or when acquired in a business combination.

(iii) Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds). The fair value of foreign currency option contracts is determined based on the appropriate valuation techniques, considering the terms of the contract. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party when appropriate. The fair value of the cross currency swaps (principal only swaps) and interest rate swaps is determined based on the discounting of the future cash flows at the market rates existing on the reporting date.

(iv) Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(v) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes method. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected term of the instrument (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds).

20. Dividend distribution to Equity shareholders

Dividend distributed to Equity shareholders is recognised as distribution to owners of capital in the Statement of Changes in Equity, in the period in which it is paid.

21. Current/ non-current classification

An asset is classified as current if:

(a) it is expected to be realised or sold or consumed in the Company's normal operating cycle;

(b) it is held primarily for the purpose of trading;

(c) it is expected to be realised within twelve months after the reporting period; or

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current if:

(a) it is expected to be settled in normal operating cycle;

(b) it is held primarily for the purpose of trading;

(c) it is expected to be settled within twelve months after the reporting period;

(d) it has no unconditional right to defer the settlement of the liability for at lease twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realisation in cash and cash equivalents. The Company's normal operating cycle is twelve months.

D. Notes to Accounts

(All amounts are in Indian ₹ lakhs except share data and as stated)

1. Property, Plant and Equipment

The following table presents the changes in property, plant and equipment during the year ended March 31, 2016

Particulars	ORIGINAL COST					DEPRECIATION					NET BOOK VALUE	
	As at April 1, 2015	Assets transferred on merger	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at April 1, 2015	Assets transferred on merger	For the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Owned assets												
Buildings	17,041	-	3,089	-	20,130	3,347	-	639	-	3,986	16,144	13,694
Plant and equipment	73,936	-	14,867	422	88,381	53,645	-	8,112	421	61,336	27,045	20,291
Furniture and fittings	1,477	-	14	4	1,487	1,442	-	16	4	1,454	33	35
Office equipment	2,787	-	1,010	4	3,793	2,068	-	260	4	2,324	1,469	719
Leasehold improvements	5,916	-	2,707	-	8,623	4,430	-	668	-	5,098	3,525	1,486
Assets acquired under lease												
Building	2,911	-	-	-	2,911	874	-	103	-	977	1,934	2,037
Plant and machinery	17,895	-	5,108	-	23,003	6,688	-	5,186	-	11,874	11,129	11,207
Motor vehicles	29	-	-	-	29	29	-	-	-	29	-	-
	121,992	**-**	**26,795**	**430**	**148,357**	**72,523**	**-**	**14,984**	**429**	**87,078**	**61,279**	**49,469**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2015

Particulars	ORIGINAL COST					DEPRECIATION					NET BOOK VALUE	
	As at April 1, 2014	Assets transferred on merger	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at April 1, 2014	Assets transferred on merger	For the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Owned assets												
Buildings	9,239	5,978	1,824	-	17,041	2,536	202	609	-	3,347	13,694	6,703
Plant and equipment	69,152	609	5,400	1,225	73,936	48,164	71	6,635	1,225	53,645	20,291	20,988
Furniture and fittings	1,454	42	40	59	1,477	1,440	7	54	59	1,442	35	14
Office equipment	2,369	-	449	31	2,787	1,863	-	236	31	2,068	719	506
Leasehold improvements	5,014	-	935	33	5,916	4,057	-	406	33	4,430	1,486	957
Assets acquired under lease												
Building	2,911	-	-	-	2,911	771	-	103	-	874	2,037	2,140
Plant and machinery	11,005	-	6,890	-	17,895	2,913	-	3,775	-	6,688	11,207	8,092
Motor vehicles	29	-	-	-	29	28	-	1	-	29	-	1
	101,173	6,629	15,538	1,348	121,992	61,772	280	11,819	1,348	72,523	49,469	39,401

Notes
(a) Refer note D (14) for security given for borrowings.
(b) Refer note D (22)(b) for capital commitments.
(c) Assets transferred on merger represents assets acquired on merger of Pace Info Com Park Private Limited effective from April 1, 2014 with the Company.

2. Intangible assets

(All amounts are in Indian ₹ lakhs except share data and as stated)

The following table presents the changes in intangible assets during the year ended March 31, 2016

Particulars	ORIGINAL COST					AMORTISATION					NET BOOK VALUE	
	As at April 1, 2015	Assets transferred on merger	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at April 1, 2015	Assets transferred on merger	For the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Undersea cable capacity	5,765	-	659	-	6,424	1,406	-	504	-	1,910	4,514	4,359
System software	5,173	-	628	-	5,801	4,409	-	444	-	4,853	948	764
License fees	730	-	-	-	730	285	-	27	-	312	418	445
Customer related intangibles	1,824	-	-	-	1,824	1,824	-	-	-	1,824	-	-
	13,492	**-**	**1,287**	**-**	**14,779**	**7,924**	**-**	**975**	**-**	**8,899**	**5,880**	**5,568**

The following table presents the changes in intangible assets during the year ended March 31, 2015

Particulars	ORIGINAL COST					AMORTISATION					NET BOOK VALUE	
	As at April 1, 2014	Assets transferred on merger	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at April 1, 2014	Assets transferred on merger	For the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Undersea cable capacity	5,533	-	232	-	5,765	922	-	484	-	1,406	4,359	4,611
System software	4,589	-	584	-	5,173	4,044	-	365	-	4,409	764	545
License fees	500	-	230	-	730	238	-	47	-	285	445	262
Customer related intangibles	1,824	-	-	-	1,824	1,824	-	-	-	1,824	-	-
	12,446	**-**	**1,046**	**-**	**13,492**	**7,028**	**-**	**896**	**-**	**7,924**	**5,568**	**5,418**

(All amounts are in Indian ₹ lakhs except share data and as stated)

		As at March 31, 2016	As at March 31, 2015
3. INVESTMENTS - NON-CURRENT			
Trade Investments - carried at cost			
Investments in subsidiaries - unquoted			
Sify Technologies (Singapore) Pte Limited			
[2,000 (March 31,2015 : 2,000) equity shares of S $1 each fully paid up]		1	1
[5,00,000 (March 31,2015 : Nil) equity shares of ₹ 67.98 (USD 1) each fully paid up]		340	-
Sify Technologies North America Corporation [100 (March 31, 2015: 100) Common stock of ₹ 0.006155 (USD 0.0001) each fully paid up]		*	*
Sify Technologies North America Corporation [8,00,00,000 (March 31, 2015: 8,00,00,000) Preferred stock of ₹ 0.006155 (USD 0.0001) each fully paid up]		3,078	3,078
	(A)	3,419	3,079
Investment in equity of others - unquoted (Refer note below)			
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2015: 15,000) equity shares of ₹ 10 each fully paid up]		2	2
Investment in Sarayu Clean Gen Pvt Ltd [1,56,000 (March 31,2015: 1,56,000) equity shares of ₹10 each fully paid up]		15	15
	(B)	17	17
	(A) + (B)	3,436	3,096
Aggregate cost of unquoted investments		3,436	3,096

* amount is below the rounding off norm adopted by the Company

Note: The Company has classified Investments in equity of others - unquoted as at FVTOCI.

	As at March 31, 2016	As at March 31, 2015
4. TRADE RECEIVABLES - NON-CURRENT		
Long term trade receivables (Unsecured, considered good)	58	144
	58	144
5. OTHER FINANCIAL ASSETS - NON-CURRENT		
Security deposits	1,720	2,316
Bank deposits*	310	300
	2,030	2,616

* Represents deposits with more than 12 months maturity, subject to lien in favour of banks for obtaining Bank Guarantees /Letter of Credits.

	As at March 31, 2016	As at March 31, 2015
6. OTHER NON-CURRENT ASSETS		
Capital advances	1,947	2,015
Others:		
Prepaid expenses	3,046	3,278
Lease prepayments	9,094	8,265
Unbilled revenue	84	119
	14,171	13,677
7. INVENTORIES		
Trade inventories	7,414	2,331
	7,414	2,331

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
8. TRADE RECEIVABLES		
Secured		
Outstanding for a period exceeding six months from due date		
- considered good	2	1
Other debts		
- considered good	3	4
	5	5
Unsecured		
Outstanding for a period exceeding six months from due date		
- considered good	12,024	9,245
- considered doubtful	2,069	2,029
Other debts		
- considered good**	42,759	37,280
	56,852	48,554
Less: Allowance for doubtful receivables*	(2,069)	(2,029)
	54,788	46,530

	For the year ended March 31, 2016	For the year ended March 31, 2015
*The activity in allowance for doubtful receivables is given below:		
Balance at the beginning of the year	2,029	1,700
Add: Additional provision during the year	1,822	1,990
Less: Bad debts written off	(1,782)	(1,661)
Balance at the end of the year	2,069	2,029

** includes ₹ 509 receivable from Sify Technologies North America Corporation, wholly owned subsidiary of the company (Previous Year: ₹ Nil).

9. CASH AND CASH EQUIVALENTS		
(a) Balance with banks		
(i) in current accounts	10,072	7,425
(ii) deposits	501	1,123
(b) Other bank balances		
(i) Bank deposits (Refer note below)	3,142	2,189
(ii) Unpaid dividend account	*	*
(c) Cheques on hand	798	1,043
(d) Cash on hand	6	5
	14,519	11,785

*amount is below rounding off norm adopted by the Company

Notes

Balances in deposit accounts subject to lien in favour of banks for obtaining Bank Guarantees/ Letter of Credits	3,142	2,179
Cash and cash equivalents for the purpose of Cash Flow Statement:		
Cash and cash equivalents as above	14,519	11,785
Less: Bank overdraft [Refer note 18 (d)]	(7,198)	(7,569)
	7,321	4,216

(All amounts are in Indian ₹ lakhs except share data and as stated)

		As at March 31, 2016	As at March 31, 2015
10. OTHER FINANCIAL ASSETS			
Advances to subsidiaries *		-	152
Security deposits		997	411
Interest accrued on advances and deposits		115	113
		1,112	676

*Includes: (a) Advance granted to Sify Technologies (Singapore) Pte Limited - a wholly owned subsidiary company - ₹ Nil (Previous Year : ₹ 145)
(b) Advance granted to Sify Technologies North America Corporation - a wholly owned subsidiary company - ₹ Nil (Previous Year : ₹ 7)

		As at March 31, 2016	As at March 31, 2015
11. OTHER CURRENT ASSETS			
Advances other than capital advances:			
Others			
Advances recoverable in cash or in kind for value to be received		936	1,959
Balances with service tax and sales tax authorities		3,033	2,818
Prepaid expenses		2,193	2,371
Advance tax and tax deducted at source		12,845	7,931
Unbilled revenue		811	1,758
Lease prepayments		155	144
	(A)	19,973	16,981
Unsecured, considered doubtful			
Advances recoverable in cash or in kind for value to be received		1,381	1,442
Less: Provision for doubtful advances		(1,381)	(1,442)
	(B)	-	-
	(A) +(B)	19,973	16,981

	As at March 31, 2016	As at March 31, 2015
12. EQUITY SHARE CAPITAL		
Authorized		
20,40,00,000 (March 31, 2015: 20,40,00,000) equity shares of ₹10 each [Refer note (a) below]	20,400	20,400
Issued		
17,85,30,787 (March 31, 2015: 17,85,30,787) equity shares of ₹10 each	17,853	17,853
Subscribed and fully paid		
5,35,30,787 (March 31, 2015: 5,35,30,787) equity shares of ₹10 each fully paid up	5,353	5,353
Subscribed but not fully paid		
12,50,00,000 (March 31, 2015: 12,50,00,000) equity shares of ₹10 each partly paid up [Refer note (d) below]	8,750	8,750
	14,103	14,103
Forfeited shares		
Amount originally paid up on 1,28,23,202 equity shares	128	128
	14,231	14,231

(All amounts are in Indian ₹ lakhs except share data and as stated)

(a) The authorized share capital of the Company was enhanced by an amount of ₹ 1,890 divided into 1,89,00,000 equity shares of ₹ 10 each during the year ended March 31, 2015.

(b) The equity shares are the only class of share capital having a par value of ₹10 per share. Of the above, 3,90,00,135 shares are represented by American Depository Shares ('ADS') issued by the Company in accordance with applicable laws and regulations.

(c) Equity shares carry voting rights proportionate to the paid-up value per share. In the event of liquidation of the company, holders of the equity shares are entitled to be repaid the amounts credited as paid up on those equity shares. All surplus assets after settlement of liabilities as at the commencement of winding-up shall be paid to the holders of equity shares in proportion to their shareholdings. The above payment is subject to the rights of creditors, employees, taxes, if any, and any other sums as may be prescribed under the Companies Act, 2013. Of the above ADS, 1,39,02,860 ADS held by M/s Infinity Capital Ventures LP are not tradable and are restricted.

(d) In 2010-11, the Company approved the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the Company's equity shares at a price of ₹32 per share aggregating to ₹40,000. These shares carry a face value of ₹10. As of March 31, 2016, these shares are partly paid to the extent of ₹7 (March 31, 2015: ₹7) per share. Until the full purchase price is paid by the purchasers, the company retains a lien on these equity shares. Also refer note D (53).

(e) Of the total outstanding shares,12,50,00,000 shares (March 31, 2015: 12,50,00,000) are held by M/s Ramanand Core Investment Company Private Limited, holding company

(f) Of the total outstanding shares, 2,50,00,000 shares are reserved for issue to eligible employees under Associate Stock Option Plans. Refer note D (43) for activities in Associate Stock Option plan.

12.1 Reconciliation of number of shares in the beginning and at the end of the year

	As at March 31, 2016		As at March 31, 2015	
	Number of shares	Amount paid-up	Number of shares	Amount paid-up
Number of shares outstanding at the beginning of the year	17,85,30,787	14,231	17,85,30,787	14,231
Number of shares outstanding at the end of the year	17,85,30,787	14,231	17,85,30,787	14,231

12.2 Shareholders holding more than 5% of the shares of the Company:

	As at March 31, 2016		As at March 31, 2015	
	Number of Shares held	% holding	Number of Shares held	% holding
Ramanand Core Investment Company Private Limited@	12,50,00,000	70.02%	12,50,00,000	70.02%
Infinity Satcom Universal Private Limited	1,45,30,000	8.14%	1,45,30,000	8.14%
Infinity Capital Ventures, LP	1,39,02,860	7.79%	1,39,02,860	7.79%

@These shares are partly paid-up to the extent of ₹7 per share
Also refer note D(53)

(All amounts are in Indian ₹ lakhs except share data and as stated)

		As at March 31, 2016	As at March 31, 2015
13. OTHER EQUITY			
13.1. Reserves and surplus			
Securities premium			
Securities premium account balance		71,110	71,110
	(A)	71,110	71,110
General reserve			
Balance at the beginning of the year		539	536
Add: Transferred from stock options outstanding account		-	3
	(B)	539	539
Retained earnings			
Merged opening balance		13,481	11,022
Adjustments:			
Profit for the year		4,856	4,094
Adjustment of (deficit)/ surplus arising on account of merger		-	(36)
Balance after merger adjustments		18,337	15,080
Less: Appropriations			
Dividend paid		(1,410)	(1,367)
Dividend distribution tax paid		(287)	(232)
	(C)	16,640	13,481
	(D) = (A)+(B)+(C)	88,289	85,130
Less: Accumulated losses dealt with vide scheme of merger [D (48)]		(27,661)	(27,661)
	(E)	60,628	57,469
13.2 Other components of Equity			
Stock option outstanding account			
Opening Balance		117	3
Add: Employee stock compensation cost for the year		520	117
Less: Transfer to general reserve in respect of grants lapsed during the year		-	(3)
	(F)	637	117
Remeasurement of net defined benefit liability/asset			
Opening Balance		210	421
Add: Additions during the year		14	(211)
	(G)	224	210
	(E)+(F)+(G)	61,489	57,796

Proposed dividend: Dividend proposed to be distributed but not recognised as distribution to owners during the period amounted to ₹ 1,410 (₹ 1 per share) and the dividend distribution tax thereon amounts to ₹ 287.

(All amounts are in Indian ₹ lakhs except share data and as stated)

14. BORROWINGS

14.1. Term Loans

Particulars	As at March 31, 2016	As at March 31, 2015	Security	Interest rate and repayment terms
Secured				
From banks	7,564	4,058	Of total balance of ₹ 9,830 (Previous Year: ₹ 5,192) (Incl current maturities) an amount of ₹ 1,875 (Previous Year: ₹2,500) is primarily secured by charge on movable fixed assets funded by term loan and also collaterally secured by extension of equitable mortgage of title deeds of property at Noida in the name of M/s Pace Info Com Park Pvt Ltd (Merged with the Company from 1st April 2014). An amount of ₹ 5,923 (Previous Year: ₹ 2,692) is primarily secured by equitable mortgage of title deeds of property of the company at Rabale in Mumbai and plant and machinery at Rabale data centre 4th floor and the balance ₹ 2,032 is secured by property at Vashi in Mumbai.	The term loans bear interest rate ranging from 3.5% to 4.5% plus 6 months LIBOR in the case of Foreign currency term loans and 10.85% to 12.00% for others (Previous Year: 12.50% to 13.00%) and repayable in quarterly instalments within a tenor of 3 to 5 years after moratorium periods ranging from 6 months to one year in certain cases.
From others	1,573	2,686	These loans are primarily taken from NBFCs and are secured by charge on relevant assets.	The loans bear interest rate ranging from 10.00% to 13.00% (Previous Year: 12.00% to 13.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments from the date of drawal.
Unsecured				
From banks	-	756	These loans are taken from Banks and are partially secured by 20% margin money representated by fixed deposits.	These loans are foreign currency term loans bearing interest rate of 3.5% plus LIBOR repayable over a period of 24 months in quarterly instalments.
From others	817	719	These loans are primarily taken from NBFCs and are secured by lease of relevant assets and also part amount is secured by financial bank guarantee of 10%.	The loans bear interest rate ranging from 10.00% to 13.00% (Previous Year: 12.00% to 13.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
(A)	9,954	8,219		

14.2. Finance lease obligations

Particulars	As at March 31, 2016	As at March 31, 2015	Security	Interest rate and repayment terms
Long term maturities of finance lease obligations	3,957	6,171	These loans are primarily taken from NBFCs and are secured by lease of relevant assets and also part amount is secured by financial bank guarantee of 10%	The loans bear interest rate ranging from 10.00% to 13.00% (Previous Year: 12.00% to 13.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
(B)	3,957	6,171		
(A) + (B)	13,911	14,390		

Note:

The current maturities of the above borrowings, carrying the aforesaid security and repayment terms are grouped under other financial liabilities. Refer notes D (20) and D (23).

(All amounts are in Indian ₹ lakhs except share data and as stated)

		As at March 31, 2016	As at March 31, 2015
The current maturities of borrowings are as under:			
Secured			
Term loan from banks		2,266	1,134
Loan from others		1,113	1,022
Current maturities of finance lease obligations		5,576	5,568
Unsecured			
Term loan from banks		800	756
Loan from others		2,782	2,810
		12,537	11,290

15. OTHER FINANCIAL LIABILITIES - NON-CURRENT

Security deposits		425	85
Other liabilities		1,625	1,568
		2,050	1,653

16. PROVISIONS

Short-term provisions for employee benefits			
Compensated absences		87	68
	(A)	87	68
Long-term provisions for employee benefits			
Gratuity		562	459
Compensated absences		301	268
	(B)	863	727
	(A) + (B)	950	795

17. OTHER NON-CURRENT LIABILITIES

Unearned revenue		3,815	3,424
		3,815	3,424

18. BORROWINGS (SHORT-TERM)

Loans repayable on demand from banks - Secured			
Working capital facilities [Refer notes (a) to (d) below]		16,754	14,831
Buyers' credit from banks		2,005	172
		18,759	15,003

(a) The above facilities amounting to ₹ 18,759 (Previous Year : ₹ 15,003), bank guarantees and non fund limits availed by the Company are primarily secured by way of pari-passu first charge on the entire current assets of the Company to all working capital bankers under consortium.

(b) In addition to the above, out of these loans repayable on demand from banks,

(i) exposure amounting to ₹ 11,278 (Previous Year : ₹8,579) is secured collaterally by way of pari-passu charge on the unencumbered movable fixed assets of the Company, both present and future.

(ii) exposure amounting to ₹ 8,658 (Previous Year : ₹ 7,416) is secured collaterally by way of equitable mortgage over the properties at Tidel Park, Chennai and Vashi, Vile Parle at Mumbai

(iii) exposure amounting to ₹ 7,480 (Previous Year : ₹ 6,252), is collaterally secured by equitable mortgage over the land and building at Noida, Uttar Pradesh.

(iv) the exposure amounting to ₹ 1,541 (Previous Year : ₹ 986), is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

(c) These working capital facilities bear interest ranging from 3.25% (plus LIBOR) to 12.00% p.a. (Previous year: 11.5% to 12.25%) and these facilities are subject to renew annually.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
(d) Working capital facilities comprises of the following:		
Bank overdraft	7,198	7,569
Other working capital facilities	9,556	7,262
	16,754	14,831

19. TRADE PAYABLES

Towards purchase of goods and services*	37,443	26,254
Other payables	2,863	2,535
	40,306	28,789

* Includes :

(a) ₹ 40 payable to Sify Technologies (Singapore) Pte Limited, a wholly owned subsidiary (Previous year- Nil)

(b) ₹ 164 payable to Sify Technologies North America Corporation, a wholly owned subsidiary (Previous year - Nil)

20. OTHER FINANCIAL LIABILITIES

Capital creditors	2,051	1,523
Current maturities of long term debt**	3,066	1,890
Current maturities of other loans**	3,895	3,832
Current maturities of finance lease obligations**	5,576	5,568
Interest accrued but not due on borrowings	161	183
Deposits from customers	773	778
Other payables	259	322
Unpaid dividends	*	*
	15,781	14,096

* Amount is below the rounding off norm adopted by the Company

**Also refer note D (14)

21. OTHER CURRENT LIABILITIES

Advances received from customers	1,325	1,571
Statutory payables	1,272	1,255
Unearned income	10,971	9,157
Other payables	1,799	981
	15,367	12,964

22. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

(i) Claims against the Company not acknowledged as debts include demands from Indian Income Tax authorities for payment of tax amounting to ₹ 1,136 (Previous Year - ₹ 1,136).

(ii) Contingencies due to certain Service Tax claims as at March 31, 2016 amounted to ₹ 5,052 (Previous Year: ₹ 5,020).

(iii) Contingencies due to certain Sales Tax claims as at March 31, 2016 amounted to ₹ 138 (Previous Year: ₹ 135).

The Company is subject to legal proceedings and claims which are arising in the ordinary course of business. The Company's management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have material and adverse effect on the Company's results of operations or financial conditions.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
(b) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	5,582	3,300

(c) Other commitments

(i) Export obligation under EPCG : Effective 2012-13, the Company has participated in the Export Promotion Capital Goods Scheme ("the scheme") under which capital equipments are permitted to be imported against a specific licence at a substantially reduced customs duty, subject to fulfilment of obligation to export services rendered by use of capital equipment imported under the scheme to the extent of over 6 times the value of duty saved over a period of 6 years from the date of obtaining the licence. In case of failure to meet the export obligation, the company would be liable to pay the difference between the normal duty and the duty saved under the scheme along with interest.

As of March 31, 2016, the company is holding 31 (Previous year : 30) licenses with a corresponding export obligation of ₹18,373 (Previous year : ₹ 10,653). Considering the track record of the exports, the Company believes it would be able to meet the export obligation within the time frame and would not be exposed to any liability on account of the above scheme.

Notes:

(a) Refer note D (47)(a)(i) and (b) in respect of contingencies arising on legal proceedings.

(b) Refer note D [(23) (a) and (b)]for lease commitments.

23. LEASE COMMITMENTS

a. The Company has taken vehicles and certain portion of plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2016 and as at March 31, 2015 are as follows:

	As at March 31, 2016	As at March 31, 2015
Payable not later than one year	6,359	6,739
Payable later than one year and not later than five years	4,392	6,718
Total	10,751	13,457
Less: Amounts representing interest	(1,218)	(1,718)
Present value of minimum lease payments:	9,533	11,739
Payable not later than one year [disclosed under other financial liabilities - refer note D(20)]	5,576	5,568
Payable later than one year and not later than five years [disclosed under borrowings - refer note D(14)]	3,957	6,171

b. The Company takes on lease, office buildings and other equipments under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of the leases include rent escalation clauses. The schedule of future minimum rental payments in respect of non cancellable operating leases is set out below:

	As at March 31, 2016	As at March 31, 2015
Payable not later than one year	996	996
Payable later than one year and not later than five years	4,620	4,357
Payable later than five years	6,403	7,661
Total	12,019	13,014

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
c. The company has given plant and machinery under operating lease arrangements to its customers the period of which are generally up to 5 years. The schedule of minimum lease rental incomes in respect of these non cancellable operating lease arrangements are given below:		
Receivables not later than one year	2,649	2,000
Receivables later than one year and not later than five years	1,558	3,000
	4,207	5,000

	Year ended March 31, 2016	Year ended March 31, 2015
24. REVENUE FROM OPERATIONS		
Sale of Services:		
- Domestic*	89,784	78,142
- Export	49,031	42,483
Sale of Products:		
- Domestic	8,820	7,490
	147,635	128,115

*includes lease income amounting to ₹ 3,915 (Previous year - ₹ 2,857)

*refer note D(31) for revenue arising from construction contracts in progress

	Year ended March 31, 2016	Year ended March 31, 2015
25. OTHER INCOME		
Interest income		
From banks	264	314
Others	174	297
Other non-operating income		
Profit on sale of Property, Plant and Equipment (Net)	16	40
Deposits/advances no longer payable, written back	-	416
Provisions for expenses no longer required, written back	499	-
Rental income	473	190
Miscellaneous income	52	318
	1,478	1,575
26. COST OF GOODS SOLD AND SERVICES RENDERED		
Cost of hardware and software sold		
Opening inventory	2,331	2,008
Add: Purchases	12,751	7,325
Less: Closing inventory	(7,414)	(2,331)
(A)	7,668	7,002
Cost of services rendered		
Networking costs	54,504	43,967
Other direct costs	15,444	15,158
Power expenses	7,750	6,440
(B)	77,698	65,565
(A) + (B)	85,366	72,567

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2016	Year ended March 31, 2015
27. EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	15,671	14,395
Contribution to provident fund and other funds*	978	823
Staff welfare expenses	137	181
Employee stock compensation expense [Note D (43)]	520	117
	17,306	15,516

*Also refer note D (40)

	Year ended March 31, 2016	Year ended March 31, 2015
28. FINANCE COSTS		
Interest expense	3,737	3,857
Other borrowing costs (including letters of credit and bill discounting charges)	1,260	1,003
Net loss on foreign currency transactions	657	269
	5,654	5,129
29. OTHER EXPENSES		
Commission expenses	589	407
Communication expenses	352	293
Rent	4,048	3,848
Rates and taxes	663	698
Travelling expenses	1,328	1,215
Power and fuel expenses	1,077	1,001
Legal and professional	1,296	1,068
Payment to auditors		
- Audit fees	30	25
- Others	22	20
Repairs and maintenance expenses		
- Plant and machinery	1,447	1,867
- Buildings	445	477
- Others	2,047	2,076
Insurance	213	277
Outsourced manpower costs	2,226	1,954
Advertisement, selling and marketing expenses	908	695
Loss on foreign exchange fluctuation (net)	60	32
Provision for doubtful advances	-	616
Contribution towards Corporate Social Responsibility [Refer note D(54)]	53	2
Provision for bad and doubtful debts (Including bad debts written off of ₹ 1,782 (Previous Year: ₹ 1,661)	1,822	1,990
Miscellaneous expenses	1,346	1,108
	19,972	19,669

(All amounts are in Indian ₹ lakhs except share data and as stated)

30. FIRST TIME ADOPTION OF IND AS

	Note	April 1, 2014	March 31, 2015
(i) Reconciliation of equity from Previous GAAP to Ind AS is stated as under:			
Equity as per previous GAAP		68,530	70,743
Ind AS adjustments			
1) Reversal of proposed dividend	D [30(a)]	1,599	98
2) Amortisation of lease prepayments	D [30(b)]	(257)	(50)
3) Interest income on security deposits	D [30(b)]	147	38
4) Significant financing component in trade receivables	D [30(c)]	(357)	66
Ind AS adjustments on transition date			1,132
Equity as per Ind AS		69,662	72,027

	Note	March 31, 2015
(ii) Reconciliation of net profit for the year ended March 31, 2015		
Net profit as per previous GAAP		3,889
1) Amortisation of lease prepayments	D [30(b)]	(50)
2) Interest income on security deposits	D [30(b)]	38
3) Significant financing component in trade receivables	D [30(c)]	66
4) Fair valuation of ASOP	D [30(d)]	(58)
5) Gain/loss on remeasurement of defined benefit plans	D [30(e)]	211
Net profit after Ind AS adjustments		4,096
Less: Corporate social responsibility expenses adjusted earlier against retained earnings now charged to Statement of Profit and Loss		(2)
Net profit as per Statement of Profit and loss		4,094

	Note	As per Ind AS	As per Previous GAAP	Increase/ (decrease)
(iii) Reconciliation of material items of Balance Sheet as per Ind AS with Previous GAAP as at April 1, 2014				
Assets				
Property, Plant and Equipment	D [30(b)]	39,401	44,386	(4,985)
Lease prepayments (current and non current)	D [30(b)]	5,475	-	5,475
Security deposits (current and non-current)	D [30(b)]	2,754	3,354	(600)
Liabilities				
Provisions (current and non-current)	D [30(a)]	387	1,986	(1,599)
(iv) Reconciliation of material items of Balance Sheet as per Ind AS with Previous GAAP as at March 31, 2015				
Assets				
Property, Plant and Equipment	D [30(b)]	49,469	57,384	(7,915)
Liabilities				
Provisions (current and non-current)	D [30(a)]	795	2,492	(1,697)

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note	As per Ind AS	As per Previous GAAP	Increase/ (decrease)
(v) Reconciliation of material items of Statement of Cash Flows for the year ended March 31, 2015 as per Ind AS with Previous GAAP				
Cash generated from operations	D [30(b)] and D [30(e)]	11,064	14,472	(3,408)
Net cash used in investing activities	D [30(b)]	(8,150)	(11,297)	3,147
Net cash used in financing activities	D [30(f)]	(4,972)	(3,737)	(1,235)
Cash and cash equivalents at the beginning of the year	D [30(f)]	6,312	12,685	(6,373)
Cash and cash equivalents at the end of the year	D [30(f)]	4,216	12,085	(7,869)

Notes:

a. Reversal of proposed dividend

Under previous GAAP, proposed dividend is recognised as a liability in the period to which it relates. Under Ind AS, dividend is adjusted directly in Equity in the period in which it is paid irrespective of the period to which it relates. Accordingly, an amount of ₹ 1,599 towards proposed dividend (including dividend distribution tax) recognised as liability in financial year 2013-14 as per Previous GAAP has been reversed and the same is adjusted in Equity in the year 2014-15 as paid. During the year 2014-15, ₹ 1,697 recognised towards proposed dividend (including dividend distribution tax) as per previous GAAP has been reversed and the same is adjusted in Equity in the year 2015-16 as paid.

b. Lease prepayments

(i) The company has given refundable security deposits as part of the lease agreements amounting to ₹ 931. The same have been measured at transaction price as per Previous GAAP. However, as per Ind AS, security deposits should be measured at fair value on initial recognition. The initial fair value is estimated as the present value of the refundable amount of security deposits, discounted using the market interest rates for similar instruments. The difference between nominal amount and fair value of refundable deposits is classified as lease prepayments.

Subsequent to initial recognition, the security deposits are measured at amortized cost using the effective interest method with the carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognized as interest income. The lease prepayment is amortized on a straight line basis over the lease term as lease rental expense.

The details of refundable deposits classified as lease prepayments are as follows:

Total refundable deposits	931
Less: fair value of deposits on transaction date	(184)
Difference to be classified as lease prepayments on transaction date	747
Refundable deposits classified as lease prepayments	747
Less: Amortisations till April 1, 2014 adjusted in retained earnings	(257)
Unamortised lease prepayments as on April 1, 2014	490
Unrecognised interest income on refundable deposits on transaction date	(747)
Add: interest income upto date of transaction recognised in retained earnings	147
Unrecognised interest income on refundable deposits on the date of transition	(600)

(All amounts are in Indian ₹ lakhs except share data and as stated)

(ii) Lease prepayments made for leasehold land were classified as Leasehold land under previous GAAP. However, under Ind AS, prepayments made for leasehold should be classified as lease prepayments under operating lease and the same should be amortized over the lease term. Accordingly, lease prepayments as on April 1, 2014 are classified from Property, Plant and Equipment into lease prepayments as follows:

Current	57
Non - current	4,928
	4,985

During the year ended March 31, 2015, prepayments towards leasehold land amounting to ₹ 3,023 has been classified from Leasehold land to lease prepayments. The same had been classified under cash flows from investing activities as per previous GAAP but as per Ind AS is classified as cash flow from operating activities. Also, ₹ 124 towards interest income on account of fair valuation of security deposits and long term receivables has been considered as financing activities.

(iii) During the year 2014-15, lease prepayments amounting to ₹ 50 have been amortised and ₹ 38 has been recognised as interest income on deposits in respect of lease prepayments referred above.

c. Significant financing component in trade receivables

(i) As per the Previous GAAP revenue is recognised at gross amount of receivables even if significant financing component exists. However under Ind AS, revenue having significant financing component is recognised at fair value of receivables and consequently corresponding trade receivables are carried at amortised cost. The difference between the transaction price and fair value is treated as imputed interest and unwound as interest income throughout the period of the contract. As on April 1, 2014 an amount of ₹ 357 is adjusted against retained earnings and trade and other receivables which is net difference between amortised cost on the date of transition and transaction price of the trade receivables, as disclosed below:

Particulars	Current	Non-current	Total
Trade Receivables	28	96	124
Other financial assets	58	175	233
	86	271	357

(ii) During the year 2014-15, an amount of ₹ 86 has been unwounded as interest on trade and other receivables. Also, ₹ 20 relating to significant financing component for revenue recognised during the year has been adjusted against revenue and trade receivables for the period.

d. Fair valuation of ASOP

As per the previous GAAP, in respect of stock options granted pursuant to the Company's stock option schemes, the intrinsic value of the options (excess of market price of the share on the grant date over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the options. As per Ind AS fair value of options on grant date is recognised as employee benefit expense, with a corresponding increase in equity, over the period in which the options are vested. An additional expense of ₹ 58 has been recognised in the Statement of Profit and Loss for the year ended March 31, 2015.

e. Gain/loss on remeasurement of net defined benefit liability/asset

As per previous GAAP, gains and losses on remeasurement of net defined benefit liability / asset are recognised in Statement of Profit and Loss, whereas as per Ind AS, the same shall be recognised in other comprehensive income by accumulating in a separate component of equity. Accumulated gains on remeasurement of net defined benefit liability amounting to ₹ 421 as on April 1, 2014 have been transferred from retained earnings to a separate component of equity. An amount ₹ 211 has been recognised as loss on remeasurement of net defined benefit liability/asset for the year ended March 31, 2015. The cash flow from operating activities for the year ended March 31, 2015 is reduced to that extent.

(All amounts are in Indian ₹ lakhs except share data and as stated)

f. Cash and cash equivalents

As per Previous GAAP, cash and cash equivalents for the purpose of Statement of Cash Flows comprises of cash and bank balances and deposits with bank. As per Ind AS, the same comprises of cash and bank balances, deposits with bank and bank overdraft. Refer note D (9) for cash and cash equivalents.

	Year ended March 31, 2016	Year ended March 31, 2015
31. CONSTRUCTION CONTRACTS IN PROGRESS		
Contract revenue recognised for the year	219	1,294
Aggregate amounts of costs incurred and recognised profits (less recognised losses) upto the reporting date for contracts in progress.	483	1,014
Retention money	-	-
Gross amounts due from customers for contract work presented as an asset	483	1,268

	As at March 31, 2016	As at March 31, 2015
32. DEFERRED TAX ASSETS AND LIABILITIES		
The tax effects of significant temporary differences that resulted in deferred tax assets and a description of the items that created these differences is given below :		
Recognised deferred tax assets/liabilities		
Deferred tax assets		
Property, Plant and Equipment	2,374	1,537
	2,374	1,537
Deferred tax liabilities		
Intangible assets	(1,152)	(1,016)
Finance lease obligations	(1,222)	(521)
	(2,374)	(1,537)
Net deferred tax asset recognised in Balance Sheet	-	-

In assessing the realizability of the deferred tax assets, management considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

Movement in temporary differences during current and previous year

	Property, Plant and Equipment	Intangible assets	Tax loss carry forwards	Finance lease obligations
Balance as at April 1, 2014	(641)	(758)	1,399	-
Recognised in income statement	2,178	(258)	(1,399)	(521)
Recognised in Equity	-	-	-	-
Balance as at March 31, 2015	1,537	(1,016)	-	(521)
Recognised in income statement	837	(136)	-	(701)
Recognised in Equity	-	-	-	-
Balance as at March 31, 2016	2,374	(1,152)	-	(1,222)

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
Unrecognised deferred tax asset		
Deductible temporary differences	2,331	2,944
Unrecognised tax losses	26,198	34,050
	28,529	36,994

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognized in respect of tax losses carried forward by the Company. Of the above, some tax losses expire at various dates.

Income tax expense recognized in profit or loss		
Current Tax expense/ (reversal)	-	-
Deferred Tax expense	-	-
Origination and reversal of Temporary difference	-	1,399
Reversal of previously recognised losses	-	(1,399)
	-	-

Reconciliation of effective tax rates

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

Profit before taxes	4,856	4,094
Enacted tax rates in India	34.61%	34.61%
Expected tax expense/(benefit)	1,681	1,417
Effect of :		
Share based payment expenses not deductible for tax purposes	87	20
Unrecognised deferred tax asset/liabilities on temporary differences	(180)	137
Expenses/income not taxable	(28)	(92)
Recognition of previously unrecognized tax losses	(1,560)	(1,482)
	-	-

33. TRADED GOODS

	Year ended March 31, 2016		Year ended March 31, 2015	
	Qty (Nos)	Value	Qty (Nos)	Value
Opening stock				
- Hardware and Software*	141,587	2,331	97,926	2,008
Purchases				
- Hardware and Software*	493,009	12,751	643,143	7,325
Sales				
- Hardware and Software*	518,737	7,668	599,482	7,002
Closing stock				
- Hardware and Software*	115,859	7,414	141,587	2,331

* (a) Quantity of software is measured by number of packages.
(b) Quantitative details for purchases related to customer projects are not included in the above disclosure.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2016	Year ended March 31, 2015
34. VALUE OF IMPORTS ON C.I.F. BASIS		
Hardware/software imported	110	373
Fixed assets	9,169	4,278
	9,279	4,651
35. EXPENDITURE IN FOREIGN CURRENCY		
(i) Expenditure (on accrual basis)		
Royalty	91	25
Legal and professional charges	259	167
Networking costs	5,210	4,487
Other direct costs	679	280
Personnel expenses	439	986
Travelling expenses	44	73
Advertising, selling and marketing expenses	29	23
Others	1,744	1,110
	8,495	7,151
(ii) Dividend paid to non-residents		
The dividend for ADS holders is remitted to Indian Custodian in Indian rupees. The Custodian is the registered member on record for all the shares in the form of ADS. The Custodian remits dividend to the ADS holders by converting the same in foreign currencies.		
No of shareholders	12,570	15,610
Number of shares held	3,90,00,135	3,90,00,135
Amount of dividend paid	390	390
Year to which dividend relates	2014-15	2013-14
36. EARNINGS IN FOREIGN EXCHANGE		
Export of services	49,031	42,483
37. PAYMENTS TO DIRECTORS (other than managing director and executive director)		
Sitting fees	20	19
Consultancy fees	2	2
38. RECONCILIATION OF EQUITY SHARES IN COMPUTING WEIGHTED AVERAGE NUMBER OF EQUITY SHARES		
(a) Weighted average number of shares - Basic		
Issued fully paid up ordinary shares as on April 1,	5,35,30,787	5,35,30,787
Effect of shares issued on exercise of stock options	-	-
Effect of partly paid shares (Refer note below)	8,75,00,000	8,75,00,000
Weighted average number of equity shares outstanding	14,10,30,787	14,10,30,787
Note: During the year 2010-11, 12,50,00,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2016, these shares were partly paid up to the extent of ₹ 7 (March 31, 2015 - ₹ 7) per share. Refer note D(53).		
(b) Weighted average number of shares - Diluted		
Weighted average number of equity shares outstanding	14,10,30,787	14,10,30,787
Dilutive impact of associated stock options	3,64,559	125,101
Weighted average number of equity shares for diluted earnings per share	14,13,95,346	14,11,55,888

(All amounts are in Indian ₹ lakhs except share data and as stated)

39. FOREIGN CURRENCY EXPOSURE

The details of foreign currency exposure as at March 31, 2016 are as follows:

Particulars	As at March 31, 2016		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalent	USD	5	323
Debtors	GBP	1	122
	USD	122	8,110
	CHF	*	8
	EUR	2	129
			8369
Amounts payable in foreign currency on account of:			
Creditors	EUR	1	84
	CAD	*	1
	USD	71	4,681
	DHS	*	7
	GBP	*	16
	CHF	*	*
			4,789
Foreign Currency Term Loan	USD	101	6,724
Foreign Currency Demand Loan	USD	144	9,556

The details of foreign currency exposure as at March 31, 2015 are as follows:

Particulars	As at March 31, 2015		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalents	USD	12	751
Debtors	GBP	2	166
	USD	114	7,113
	SGD	*	*
	CAD	*	*
	EUR	1	55
			7,334
Amounts payable in foreign currency on account of:			
Creditors	EUR	*	8
	USD	66	4,113
	HKD	*	2
	GBP	*	2
	CHF	*	2
			4,127
Foreign Currency Term Loan	USD	**24**	**1,512**
Foreign Currency Demand Loan	USD	**116**	**7,263**

*amount is below the rounding off norm adopted by the Company

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2016	Year ended March 31, 2015
40. EMPLOYEE BENEFITS		
Reconciliation of opening and closing balances of the present value of the defined benefit obligation (Gratuity)		
Projected benefit obligation at the beginning of the year	790	534
Service cost	163	121
Interest cost	62	43
Remeasurement (gain)/losses	(13)	178
Benefits paid	(83)	(86)
Projected benefit obligation at the end of the year	918	790
Change in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	331	406
Interest income	26	33
Employer contributions	81	11
Benefits paid	(83)	(86)
Return on plan assets, excluding amount recognised in net interest expense	1	(33)
Fair value of plan assets at the end of the year	356	331
Amount recognised in the Balance Sheet		
Present value of projected benefit obligation at the end of the year	918	790
Fair value of plan assets at the end of the year	(356)	(331)
Funded status amount of liability recognised in the Balance Sheet	562	459
Expense recognised in the Statement of Profit and Loss		
Service cost	162	121
Interest cost	62	43
Interest income	(26)	(33)
Net gratuity costs	198	131
Actual return on plan assets	26	33

	As at March 31, 2016	As at March 31, 2015
Summary of actuarial assumptions		
Discount rate	7.50% p.a.	7.80% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.
Average future working life time	4.40 years	4.90 years

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

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

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

Contributions: The Company expects to contribute ₹ 200 to its gratuity fund during the year ending March 31, 2017

(All amounts are in Indian ₹ lakhs except share data and as stated)

The expected cash flows over the next few years are as follows:

Year	Amount
1 year	171
2 to 5 years	576
6 to 10 years	379
More than 10 years	251

Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2016 and March 31, 2015, by asset category is as follows:

	March 31, 2016	March 31, 2015
Funds managed by insurers	100%	100%

Remeasurement of the net defined benefit liability recognised in other comprehensive income

Amount recognised in other comprehensive income for the years ending March 31, 2016 and March 31, 2015 are as follows:		
Remeasurement (gain) /loss arising from		
- change in demographic assumptions	-	-
- change in financial assumptions	13	-
- experience variance	(26)	178
- return on plan assets, excluding amount recognised in net interest expense/income	(1)	33
	(14)	211

Sensitivity analysis of significant actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis is given below:

	March 31, 2016		March 31, 2015	
	Decrease	Increase	Decrease	Increase
Discount rate (-/+ 1%)	962	878	807	774
(% change compared to base due to sensitivity)	4.8%	-4.4%	2.2%	-2.1%
Salary Growth rate (-/+ 1%)	880	957	773	808
(% change compared to base due to sensitivity)	-4.10%	4.30%	-2.2%	2.3%

(All amounts are in Indian ₹ lakhs except share data and as stated)

41. SEGMENT REPORTING

The Company's operating segments are as follows:

Telecom Services	Domestic Data, International Data and Wholesale Voice
Data Centre Services	Co-location services
Cloud and Managed Services	IT infra services, IT transformation Services, Remote and Onsite Infrastructure Management services and Delivery platforms.
Applications Integration Services	Application Development and Maintenance, Application testing, Mobility solutions, eLearning, Portal services, Tools, Process and Automation.
Technology Integration Services	Data Centre Build, Network Integration, Information security, End User computing and Collaborative Tools consisting of Audio and Video conferencing solutions.

Telecom services: The telecom services consist of network services addressing the domestic connectivity needs of Indian enterprises and international inward and outward connectivity needs of International Enterprises. The services include a comprehensive range of Internet protocol based Virtual Private Network, offerings, including intranet, extranet and remote access applications to both small and large corporate customers. The Company provides MPLS-enabled IPVPN's through entire network. The Company also provides last mile connectivity to customers.

The cable landing station and investment in submarine cable consortium are other assets extended to International partners for international inward and outward connectivity needs. The cable landing station currently lands 2 major submarine cables; namely Gulf Bridge International (GBI) and the Middle Eastern and North African cable (MENA)

Data center services: The Company operates 6 Tier III Data centers of which three are located in Mumbai (Bombay), one each at Noida (Delhi), Chennai (Madras) and Bengaluru, to host mission-critical applications. The Company offers co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent 'secure cages' at the hosting facility as per their application requirements. It also offers 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 under this business line.

Cloud and managed services: On-demand hosting (cloud) services offer end-customers with the solutions to Enterprises. The Company offers on-demand cloud services giving companies the option to "pay as you go" basis.

The Remote and Onsite Infrastructure Management services provide management and support of customer operating systems, applications and database layers.

Technology integration service: The services under this segment consists of Data Centre Build, Network Integration, Information security and End User computing.

Applications integration services: The wide range of web-applications include sales force automation, supply chain management, intranet and extranet, workflow engine and knowledge management systems.

Applications integration services operates the online portals, such as www.sify.com, www.samachar.com, that function as principal entry points and gateway for accessing the Internet by providing useful web-related services and links. The company also offers related content sites worldwide.

Sify.com provides a gateway to the Internet by offering communication and search tools such as e-mail, chat, travel, online portfolio management and channels for personal finance, astrology, lifestyle, shopping, movies, sports and news.

The company also offers 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. It provides messaging and collaboration services and solutions such as e-mail servers, LAN mail solutions,

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anti-spam appliances, bulk mail services, instant messaging, and also offer solutions and services to enable data & access security over the Internet, 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. On-line exam engine offered allows a secure and flexible way of conducting examinations involving a wide range of question patterns.

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

Bandwidth costs, which form a significant part of the total expenses, are of three kinds – international, domestic and last mile. These are allocated primarily to the Telecom services.

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

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

The Company's operating segment information for the year ended March 31, 2016 is presented below:

Particulars	Telecom Services	Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total (A)+(B)+ (C)+(D)+ (E)
	(A)	(B)	(C)	(D)	(E)	
Revenue from operations	95,493	15,229	7,793	19,845	9,275	147,635
Operating expenses	(73,497)	(11,653)	(6,602)	(14,992)	(8,301)	(115,045)
Segment operating income / (loss)	21,996	3,576	1,191	4,853	974	32,590
Unallocable expenses						(7,539)
Operating income						25,051
Other income						1,040
Foreign exchange gain / (loss), net						(60)
Profit before interest, depreciation, tax and exceptional items						26,031
Interest income / (expenses), net						(5,216)
Depreciation, amortisation and impairment						(15,959)
Profit before exceptional items and taxation						4,856
Exceptional item						-
Profit after taxes						4,856

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Company's operating segment information for the year ended March 31, 2015 is presented below:

Particulars	Telecom Services	Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total (A)+(B)+ (C)+(D)+ (E)
	(A)	(B)	(C)	(D)	(E)	
Revenue from operations	84,629	12,768	6,218	14,145	10,355	128,115
Operating expenses	(62,631)	(11,279)	(5,025)	(13,911)	(7,746)	(100,592)
Segment operating income / (loss)	21,998	1,489	1,193	234	2,609	27,523
Unallocable expenses						(7,128)
Operating income						20,395
Other income						964
Foreign exchange gain / (loss), net						(32)
Profit before interest, depreciation, tax and exceptional items						21,327
Interest income / (expenses), net						(4,518)
Depreciation, amortisation and impairment						(12,715)
Profit before exceptional items and taxation						**4,094**
Exceptional item						-
Profit after taxes						**4,094**

Geographic segments

The Company has two geographic segments India and rest of the world. Revenues from the geographic segments based on domicile of the customer are as follows:

Description	India	Rest of the world	Total
Revenues			
Year ended March 31, 2016	98,604	49,031	147,635
Year ended March 31, 2015	85,632	42,483	128,115

The Company does not disclose information relating to non-current assets located in India and rest of the world as the necessary information is not available and the cost to develop it would be excessive.

The revenue from transactions with a single external customer did not exceed 10% of the total revenue of the Company for each of the two years ended March 31, 2016 and March 31, 2015.

42 RELATED PARTIES AND TRANSACTIONS

(a) Related parties

The related parties where control / significant influence exists are subsidiaries and associates. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director whether executive

(All amounts are in Indian ₹ lakhs except share data and as stated)

or otherwise. Key management personnel includes the board of directors and other senior management executives. The other related parties are those with whom the Company has had transaction during the years ended March 31, 2016 and 2015 are as follows:

Particulars	Related Parties	Country of Incorporation	% of ownership interest
Holding companies	Infinity Satcom Universal Private Limited.	India	-
	Raju Vegesna Infotech and Industries Private Limited (subsidiary of Infinity Satcom Universal Private Limited)	India	-
	Ramanand Core Investment Company Private Limited (subsidiary of Raju Vegesna Infotech and Industries Private Limited)	India	-
Subsidiaries	Sify Technologies (Singapore) Pte. Limited	Singapore	100%
	Sify Technologies North America Corporation	USA	100%

(b) Related party transactions and balances

Following is a summary of related party transactions for the year ended March 31, 2016:

Transactions	Holding Company	Subsidiaries	Others	Key Management Personnel
Consultancy services received	-	-	-	2
Sitting fees paid	-	-	-	20
Salaries and other short term benefits*	-	-	-	340
Contributions to defined contribution plans*	-	-	-	15
Share based payment transactions*	-	-	-	142
Lease rentals paid**	10	-	39	-
Dividend paid	1,020	-	145	-
Advances given	-	95	-	-
Loan given	-	100	-	-
Loan repaid by subsidiary	-	100	-	-
Receipt of services	-	519	-	-
Purchase of goods	-	8	-	-
Rendering of services	-	760	-	-
Investment made	-	340	-	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made**	-	-	26	-
Trade payable	-	204	-	-
Advances receivable	-	-	-	-
Trade receivable	-	509	-	-
Investment	-	3,419	-	-
Lease rentals payable**	-	-	3	-

(All amounts are in Indian ₹ lakhs except share data and as stated)

The following is the summary of the related party transactions for the year ended March 31, 2015

Transactions	Holding Company	Subsidiaries	Others	Key Management Personnel
Consultancy services received	-	-	-	2
Sitting fees paid	-	-	-	19
Salaries and other short term benefits*	-	-	-	322
Contributions to defined contribution plans*	-	-	-	13
Share based payment transactions*	-	-	-	38
Lease rentals paid**	9	-	39	-
Dividend paid	977	-	145	-
Advances given	-	45	-	-
Loan given	-	-	-	-
Loan repaid by subsidiary	-	-	-	-
Receipt of services	-	182	-	-
Purchase of goods	-	-	-	-
Rendering of services	-	57	-	-
Investment made	-	3,078	-	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made**	-	-	26	-
Trade payable	-	16	-	-
Advances receivable	-	154	-	-
Trade receivable	-	14	-	-
Investment	-	3,079	-	-
Lease rentals payable**	1	-	-	-

**During the year 2011 -12, the Company had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 0.75 (Rupees Seventy Five Thousand Only) per month. Subsequently, the Company entered into an amendment agreement with effect from April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years.

During the year 2011 - 12, the Company had also entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman and Managing director of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 0.30 (Rupees Thirty Thousand Only) per month. Subsequently, the Company entered into an amendment agreement with effect from April 1, 2013, providing for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years.

During the year 2010-11, the Company had entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Ananda Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of ₹ 3 per month and payment of refundable security deposit of ₹ 26. This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

(All amounts are in Indian ₹ lakhs except share data and as stated)

* Represents salaries and other benefits of Key Management Personnel comprising of Mr. Kamal Nath - CEO, Mr. M P Vijay Kumar - CFO and Mr. C R Rao - COO.

43. ASSOCIATE STOCK OPTION PLAN

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005, ASOP 2007 and ASOP 2014. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by the management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007 as at March 31, 2016. The plan details of ASOP 2014 are as follows:

(i) ASOP 2014

During July 2014, the shareholders of the Company approved a new scheme for allotment of shares to employees i.e. Associate Stock Option Plan 2014. 2,50,00,000 shares are reserved for this plan. Consequently 58,70,800 options were granted to the employees on January 20, 2015. During the current year the Company has granted additional 1,84,300 options to newly joined employees.

The options vest in the following manner :

No of Options	Vesting Pattern
43,04,600	3/5th of the options vest at the end of one year from the date of grant. The remaining 2/5th vests at the end of every half year during second and third years from the date of grant in 4 equal instalments
4,87,700	2/5th of the options vest at the end of one year from the date of grant. The remaining 3/5th vests at the end of every half year during second, third and fourth years in 6 equal instalments
12,62,800	2/5th of the options vest at the end of two years from the date of grant. The remaining 3/5th vests at the end of every half year during third, fourth and fifth years in 6 equal instalments.

The following table summarises the transactions of stock options under ASOP 2007 and 2014:

No. of options granted, exercised and forfeited	For the year ended	
	March 31, 2016	March 31, 2015
Outstanding at the beginning of the year (ASOP 2014/ASOP 2007)	58,70,800	30,000
Granted during the year (ASOP 2014)	184,300	58,70,800
Forfeited during the year	(3,89,300)	-
Expired during the year (ASOP 2007)	-	(30,000)
Exercised during the year	-	-
Outstanding at the end of the year	56,65,800	58,70,800
Vested and exercisable at the end of the year	25,44,180	-
Weighted average exercise price in ₹	79.10	79.10
Remaining contractual period	2.81-5.81 years	3.81-5.81 years

The fair value of stock options granted has been measured using the Black Scholes model at the date of the grant. The Black Scholes model includes assumptions regarding dividend yields, expected volatility, expected term (or "option life") and risk free interest rates. In respect of the options granted, the

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expected term is estimated based on the vesting term, contractual term as well as expected exercise behavior of the employees receiving the option. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Share prices for the year 2011-12 have been eliminated in determining volatility as there had been extra ordinary price movements during the said period on account of capital infusion by promoters. Dividend yield of the options is based on the recent dividend activity. Risk-free interest rates are based on the Government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in the future periods, stock compensation expense could be materially impacted in future years.

The estimated fair value of stock options is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

A summary of information about fixed price stock options outstanding with respect to ASOP 2014 as at March 31, 2016 is furnished below:

	Range of exercise price in ₹	Number outstanding at March 31, 2016	Weighted average exercise price in ₹	Weighted average remaining contractual life
ASOP 2014	79.10	56,65,800	79.10	2.81-5.81 years

The assumptions used in Black Scholes model to arrive at the fair value on grant date are summarised below:

Assumptions	
Current market price	87.88
Exercise price	79.10
Expected term	3.81 – 5.81 years
Volatility	52.02% - 61.96%
Dividend yield	10%
Discount rate	3%

44. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

i. Forward and option contracts

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. These derivative contracts are initially recognized at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognized immediately

(All amounts are in Indian ₹ lakhs except share data and as stated)

in profit or loss. The counterparties for these contracts are generally banks or financial institutions. The details of outstanding forward contracts as at March 31, 2016 and March 31, 2015 are given below:

Particulars	Currency	As at March 31, 2016	As at March 31, 2015
Forward contracts (Sell)	USD	30	-
(Gain) / loss on mark to market in respect of forward contracts outstanding	INR	(54)	-

The Company recognized a net gain on the forward contracts of ₹ 2 (Previous year : ₹ 61) for the year ended March 31, 2016.

The forward exchange contracts and option contracts mature between one and twelve months. The table below summarizes the notional amounts of derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As at March 31, 2016	As at March 31, 2015
	(USD)	(USD)
Not later than one month	5	-
Later than one month and not later than three months	10	-
Later than three months and not later than six months	15	-
Later than six months and not later than one year	-	-

ii. Cross Currency Swap:

The Company has entered into a Cross Currency Swap (Principal Only Swap arrangement) in order to hedge the cash flows arising out of the Principal and Interest payments of the underlying INR term loan . The period of the swap contract is co terminus with the period of the underlying term loan. As per the terms of the arrangement, the Company shall pay USD fixed and receive fixed INR principal and interest cash flows during the term of the contract. The swap arrangement is marked to market at the end of every period and losses are recognised in the Statement of Profit and Loss. The details of the outstanding balances and the mark to market losses recognised during the year are as under:

Particulars	Value of the outstanding INR term loan	Value of the outstanding USD principal	Mark to Market losses
Tranch 1	470	USD 8	46
Tranch 2	787	USD 13	20
Tranch 3	618	USD 10	33
Tranch 4	195	USD 3	7
Tranch 5	361	USD 6	13
Tranch 6	470	USD 7	24
Tranch 7	1,287	USD 20	60
Tranch 8	426	USD 7	18
Tranch 9	373	USD 6	13
Tranch 10	91	USD 1	3
Tranch 11	397	USD 6	12
Total	**5,475**	**USD 87**	**249**

(All amounts are in Indian ₹ lakhs except share data and as stated)

The details of the outstanding balances and the losses recognised during the year ended 31 March 2015 are as under:

Particulars	Value of the outstanding INR term loan	Value of the outstanding USD principal	Mark to Market losses
Tranch 1	627	USD 10	19
Tranch 2	1,050	USD 17	44
Tranch 3	824	USD 13	20
Total	**2,501**	**USD 40**	**83**

The maturity of these contracts extends till five years. The table below summarizes the cash flows (principal and interest) of these derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As at March 31, 2016		As at March 31, 2015	
	Payable (USD)	Receivable (INR)	"Payable (USD)	Receivable (INR)
Less than 1 year	49	3,338	11	794
One to two years	31	2,030	10	730
Two to three years	9	587	10	667
Three to four years	6	399	9	603
Four to five years	-	-	8	540
Total cash flows	95	6,354	48	3,334

The Company recognized a net loss on the cross currency swaps of ₹ 104 (Previous year : ₹ 2) for the year ended March 31, 2016.

iii. Interest rate swap:

During the current year, the Company has entered into Interest Rate Swaps in order to hedge the cash flows arising out of the Interest payments of the underlying USD term loan . The period of the swap contract is co terminus with the period of the underlying term loan. As per the terms of the arrangement, the Company shall pay fixed rate of interest (ranging from 6.3% to 6.5%) and receive variable rate of interest equal to LIBOR + fixed rate (ranging from LIBOR + 3.5% to LIBOR + 4.5%) on notional amount. The swap arrangement is marked to market at the end of every period and losses are recognised in the Statement of Profit and Loss.

The maturity of these contracts extends till five years. The table below summarizes the cash flows (interest) of these derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As at March 31, 2016		As at March 31, 2015	
	Payable (USD)	Receivable (USD)	Payable (USD)	Receivable (USD)
Less than 1 year	4	6	-	-
One to two years	3	4	-	-
Two to three years	2	2	-	-
Three to four years	1	1	-	-
Four to five years	*	*	-	-
Total cash flows	10	13	-	-

* Amount below rounding off norm adopted by the Company

Total notional amount outstanding as on March 31, 2016 is USD 100 (Previous Year: Nil)

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Company recognized a net loss on the interest rate swaps of ₹ 385 (includes mark to market loss of ₹ 287) (Previous year : Nil) during the year ended March 31, 2016.

b. Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Financial assets/ liabilities at amortised costs	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTOCI	Total carrying value	Total fair value
Assets					
Investments	-	-	17	17	17
Trade receivables	54,846	-	-	54,846	54,846
Cash and cash equivalents	14,519	-	-	14,519	14,519
Other financial assets	3,142	-	-	3,142	3,142
Liabilities					
Borrowings from banks	22,191	-	-	22,191	22,191
Borrowings from others	6,285	-	-	6,285	6,285
Bank overdraft	7,198	-	-	7,198	7,198
Finance lease liabilities	9,533	-	-	9,533	9,533
Trade payables	39,741	-	-	39,741	39,741
Other financial liabilities	5,294	-	-	5,294	5,294
Derivative financial instruments	-	565	-	565	565

The carrying value and fair value of financial instruments by each category as at March 31, 2015 were as follows:

Particulars	Financial assets/ liabilities at amortised costs	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTOCI	Total carrying value	Total fair value
Assets					
Investments	-	-	17	17	17
Trade receivables	46,674	-	-	46,674	46,674
Cash and cash equivalents	11,785	-	-	11,785	11,785
Other financial assets	3,292	-	-	3,292	3,292
Liabilities					
Borrowings from banks	14,138	-	-	14,138	14,138
Borrowings from others	7,237	-	-	7,237	7,237
Bank overdraft	7,569	-	-	7,569	7,569
Finance lease liabilities	11,739	-	-	11,739	11,739
Trade payables	28,706	-	-	28,706	28,706
Other financial liabilities	4,459	-	-	4,459	4,459
Derivative financial instruments	-	83	-	83	83

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
Details of financial assets pledged as collateral		
The carrying amount of financial assets as at March 31, 2016 and 2015 that the Company has provided as collateral for obtaining borrowing and other facilities from the bankers are as follows:		
Trade receivables	54,846	46,674
Cash and cash equivalents	14,519	11,785
Other financial assets	3,142	3,292
	72,507	61,751

c. **Fair value measurements:**

The details of assets and liabilities that are measured on fair value on recurring basis are given below:

	Fair value as of March 31, 2016			Fair value as of March 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivative financial assets - gain on outstanding option/ forward contracts	-	54	-	-	-	-
Liabilities						
Derivative financial liabilities - loss on outstanding cross currency swaps	-	-	(332)	-	-	(83)
Derivative financial liabilities - loss on outstanding interest rate swaps	-	-	(287)	-	-	-

- Level 1 - unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - unobservable inputs for the asset or liability

d. **Interest income/(expenses), gains/(losses) recognized on financial assets and liabilities**

	Year ended March 31, 2016	Year ended March 31, 2015
(a) Financial assets at amortised cost		
Interest income on bank deposits	264	314
Interest income on other financial assets	143	123
Impairment on trade receivables	(1,822)	(1,990)
(b) Financial assets at fair value through profit or loss (FVTPL)		
Net gains/(losses) on fair valuation of derivative financial instruments	(482)	(83)
(c) Financial liabilities at amortised cost		
Interest expenses on lease obligations	(1,264)	(1,543)
Interest expenses on borrowings from banks, others and overdrafts	(3,130)	(2,583)

(All amounts are in Indian ₹ lakhs except share data and as stated)

45. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established a risk management policy to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed periodically to reflect changes in market conditions and the Company's activities. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the risk management framework. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables, treasury operations and other activities that are in the nature of leases.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Company is not exposed to concentration of credit risk to any one single customer since the services are provided to and products are sold to customers who are spread over a vast spectrum and hence, the concentration of risk with respect to trade receivables is low. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of the customers to which the Company grants credit terms in the normal course of the business.

Cash and cash equivalents and other investments

In the area of treasury operations, the Company is presently exposed to counter-party risks relating to short term and medium term deposits placed with public-sector banks, and also to investments made in mutual funds.

The Chief Financial Officer is responsible for monitoring the counterparty credit risk, and has been vested with the authority to seek Board's approval to hedge such risks in case of need.

Exposure to credit risk

The gross carrying amount of financial assets, net of any impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2016 and 2015 was as follows:

	As at March 31, 2016	As at March 31, 2015
Other investments	17	17
Trade receivables	54,846	46,674
Cash and cash equivalents	14,519	11,785
Other financial assets	3,142	3,292
	72,524	61,768

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
Financial assets that are past due but not impaired		
There is no other class of financial assets that is past due but not impaired other than trade receivables. The age analysis of trade receivables have been considered from the date of invoice. The ageing of trade receivables, net of allowances that are past due, is given below:		
Period (in days)		
Past due 181 - 270 days	6,675	4,554
Past due 271 - 365 days	3,050	2,223
More than 365 days	7,042	5,460
	16,767	12,237

Refer note D (8) for the activity in the allowance for impairment of trade account receivables.

Financial assets that are neither past due nor impaired

Cash and cash equivalents, other assets, other receivables and finance lease receivables are neither past due nor impaired. The total trade receivables that are not past due as at March 31, 2016 amounts to ₹ 38,079 (March 31, 2015: ₹ 34,437) and impairment has not been recorded on the same.

	As at March 31, 2016	As at March 31, 2015
Details of collateral and other credit enhancements held		
Security deposits received for internet access services	5	5

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, servicing of financial obligations. In addition, the Company has concluded arrangements with well reputed Banks, and has unused lines of credit that could be drawn upon should there be a need. The Company is also in the process of negotiating additional facilities with Banks for funding its requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at March 31, 2016

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	22,191	23,584	15,269	5,751	2,564
Borrowings from others	6,285	7,015	4,405	2,580	30
Bank overdraft	7,198	7,198	7,198	-	-
Finance lease liabilities	9,533	10,751	6,359	3,647	745
Trade payables	39,741	39,741	39,741	-	-
Other financial liabilities	5,294	5,294	5,294	-	-
	90,242	93,583	78,266	11,978	3,339

(All amounts are in Indian ₹ lakhs except share data and as stated)

As at March 31, 2015

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	14,138	15,728	9,924	3,804	2,000
Borrowings from others	7,237	8,441	4,516	3,351	574
Bank overdraft	7,569	7,569	7,569	-	-
Finance lease liabilities	11,739	13,457	6,739	6,718	-
Trade payables	28,706	28,706	28,706	-	-
Other financial liabilities	4,459	4,459	4,459	-	-
	73,848	78,360	61,913	13,873	2,574

Market risk:

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. The Company is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and the market value of its investments. Thus the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Currency risk:

The Company's exposure in US$, Euro and other foreign currency denominated transactions gives rise to Exchange rate fluctuation risk. Company's policy in this regard incorporates:

- Forecasting inflows and outflows denominated in US$ for a twelve-month period
- Estimating the net-exposure in foreign currency, in terms of timing and amount.
- Determining the extent to which exposure should be protected through one or more risk-mitigating instruments to maintain the permissible limits of uncovered exposures.
- Carrying out a variance analysis between estimate and actual on an ongoing basis, and taking stop-loss action when the adverse movements breaches the 5% barrier of deviation, subject to review by Audit Committee.

The Company's exposure to foreign currency risk as at March 31, 2016 was as follows:

All amounts in respective currencies as mentioned (in lakhs)

	Cash and cash equivalents	Trade receivables	Trade payables	Foreign currency demand loan	Net Balance Sheet exposure
USD	5	122	(71)	(245)	(189)
EUR	-	2	(1)	-	1
GBP	-	1	-	-	1

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Company's exposure to foreign currency risk as at March 31, 2015 was as follows:

All amounts in respective currencies as mentioned (in lakhs)

	Cash and cash equivalents	Trade receivables	Trade payables	Foreign currency loans	Net Balance Sheet exposure
USD	12	114	(66)	(140)	(80)
EUR	-	1	-	-	1
GBP	-	2	-	-	2

A 10% strengthening of the rupee against the respective currencies as at March 31, 2016 and 2015 would have increased / (decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	Other comprehensive income	Profit/(loss)
March 31, 2016	-	1,238
March 31, 2015	-	478

A 10% weakening of the rupee against the above currencies as at March 31, 2016 and 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk:

Interest rate risk is the risk that an upward movement in interest rates would adversely affect the borrowing costs of the Company.

Profile

At the reporting date the interest rate profile of the Company's interest –bearing financial instruments were as follows:

	Carrying amount	
	March 31, 2016	March 31, 2015
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	3,953	3,612
Financial liabilities		
- Borrowings from banks	2,005	172
- Borrowings from others	6,285	7,237
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	20,186	13,966
- Bank overdrafts	7,198	7,569

Fair value sensitivity for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis has been performed on the same basis for 2015.

	Equity	Profit or (loss)
March 31, 2016	-	(261)
March 31, 2015	-	(228)

A decrease of 100 basis points in the interest rates at the reporting date would have had equal but opposite effect on the amounts shown above, on the basis that all other variable remain constant.

46. CAPITAL MANAGEMENT

The Company's capital comprises equity share capital, share premium, retained earnings and other equity attributable to equity holders. The primary objective of Company's capital management is to maximise shareholders value. The Company manages its capital and makes adjustment to it in light of the changes in economic and market conditions. The Company does so by adjusting dividend paid to shareholders. The total capital as on March 31, 2016 is ₹ 75,720 (Previous Year: ₹ 72,027).

The Company monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises of long term and short term borrowings less cash and bank balances. Equity includes equity share capital and reserves that are managed as capital. The gearing at the end of the reporting period was as follows:

		As at March 31, 2016	As at March 31, 2015
Debt		45,207	40,683
Less: cash and bank balances		(14,519)	(11,785)
Net debt	A	30,688	28,898
Equity	B	75,720	72,027
Net debt to Equity ratio	A/B	41%	40%

No changes were made in the objectives, policies or processes for managing capital of the Company during the current and previous year.

47. LEGAL PROCEEDINGS

a) **Proceedings before Department of Telecommunications**

(i) License fees

On October 12, 2009 and February 26, 2010, the Department of Telecommunications ('DOT') raised a demands on the Company for ₹ 140 and ₹ 260 respectively towards license fee on income other than income from activities that require license from DOT. The said demands were attributable to income from Internet Service provider (ISP) license and national long distance (NLD) services respectively. The licensed activities are those activities that require license from DOT.

The aforesaid demands made by DOT were based on the premise that all amounts of income (whether direct or indirect) including items such as other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets and provision no longer required written back were directly related to telecom operations of the Company and arise in connection with the Telecom business of the Company and such items need to be considered as part of 'income' for the purpose of calculation of the license fee. Accordingly, DOT considered such items as part of income for the purpose of calculating license fee on AGR (aggregated gross revenue)

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Company and other service providers through their Association of Unified Telecom Service Providers (AUTSPI) approached Telecom Disputes Settlement and Appellate Tribunal ('TDSAT') and challenged DOT's demand seeking inclusion of the aforesaid items as part of 'income' . TDSAT passed an order in favour of service providers. The order was subsequently challenged by DOT in Supreme Court of India which set aside the TDSAT order to the effect that DOT has per se authority to define AGR. However the Supreme Court through its supplementary order allowed the service providers to approach TDSAT on the issue of demands made by DOT and also held that matter should be settled as per law. AUTSPI approached TDSAT on the demands raised by DOT. TRAI recommended to DOT to charge License fees only on licensed activities. The Company had approached Honourable High Court of Madras (Court) in 2013 by filing a writ petition prohibiting Department of Telecommunications (DOT) from levying a license fee on non-licensed activities. In an earlier writ petition filed by the Company in 2012, the Court restrained DOT from recovering the license fee in respect of non- telecom activities. Based on the said order passed by the Court, an interim order was passed by the Court restraining DOT from recovering license fee in respect of non- telecom activities for the writ petition filed in 2013. The Tribunal by its order dated April 23, 2015 held that revenue from sale of scrap, treasury income etc are to be included as part of AGR. The Tribunal has also passed an order asking DoT to levy at most a nominal amount as token penalty with interest if permissible at the lower rates. The Company believes that adequate legal defences against these orders and that the ultimate outcome of these actions will not have a material adverse effect on the Company's financial position and result of operations.

(ii) The present licence for ISP under Unified License issued by DOT on June 2, 2014 provides for payment of Licence fee on pure internet services. However, the Company through Internet Service Providers Association of India (ISPAI) challenged the said clause before TDSAT. TDSAT passed a stay order on DOT from charging the Licence fee on pure internet services.

b) The company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2016, the Company believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect (the maximum financial exposure would be ₹ 197 (March 31, 2015: ₹ 251)) on the Company's financial position and results of operations.

48. ADJUSTMENT TO THE SECURITIES PREMIUM ACCOUNT

The company had an accumulated loss of ₹ 19,783 as on March 31, 2013. Consequent to scheme of amalgamation of two subsidiary companies, the accumulated loss stood at ₹ 27,661. As part of the said scheme of amalgamation, it was proposed to set off the accumulates losses of the Company and subsidiaries with the Securities Premium account of the company. Accordingly the debit balance in the "Profit and Loss Statement as on the Appointed Date is ₹ 27,661 representing the losses carried forward by the Company and the two subsidiaries (the Transferor Companies). The details of loss incurred/profit earned by the Transferee Company over the last five years prior to the scheme are given below:

Year ended	**Amount ₹** Profit/(Loss)
31.3.2008	(2,155)
31.3.2009	(17,666)
31.3.2010	3,603
31.3.2011	(5,423)
31.3.2012	(2,400)
31.3.2013	4,258
Total	**(19,783)**
Accumulated loss of subsidiaries as on 31.3.2013:	
Sify Software Limited	(7,874)
Hermit Projects Private Limited	(4)
Total accumulated loss as on 31.3.2013	**(27,661)**

(All amounts are in Indian ₹ lakhs except share data and as stated)

Hence, the debit balance in the "Profit and Loss Statement" as on the Appointed Date to an extent of ₹ 27,661 representing the accumulated losses of the Company and the Subsidiaries as on April 1, 2013 is adjusted against the sum of ₹69,004 standing to the credit of Securities Premium Account of the Company on the said date. On such adjustment, the Securities Premium Account of the Company shall stand reduced collectively by a sum of ₹ 27, 661, leaving a credit balance of ₹ 41,343.

49. MERGER OF PACE INFO COM PARK PRIVATE LIMITED

The Board of Directors had approved the proposal for merger of the wholly owned subsidiary M/S Pace Info Com Park Private Limited with the Company effective April 1, 2014. The Honourable High Court of Madras approved the merger vide its order dated February 12, 2015. The scheme was sanctioned by the Honourable High Court of Madras effective April 1, 2014 so as to be binding on all the shareholders and creditors of the Company.

The Scheme of Arrangement is prepared under Section 391 to 394 and other applicable provisions of the Companies Act 1956 for the amalgamation of M/s Pace Info Com Park Private Limited, the wholly owned subsidiary company with the Company and for matters consequential, supplemental and/or otherwise integrally connected therewith.

1. All the assets and liabilities recorded in the books of the Transferor Company shall stand transferred to and vested with the Transferee Company pursuant to the Scheme and is recorded by the Transferee Company at the book values as appearing in the books of the Transferor Company.
2. All reserves of the Transferor Company shall be transferred to the identical reserves of the Transferee Company.
3. Any surplus or deficit arising out of Amalgamation shall be adjusted in the books of the Transferee Company.

The Company has elected to apply Ind AS 103 Business Combinations to business combinations that occurred on the date of transition to Ind AS.

Net Assets position of the subsidiary as on the effective date of merger is as under:

Particulars	Amount ₹
Non current assets	9,465
Current Assets	107
Total Assets	**9,572**
Non Current Liabilities	7,106
Current Liabilities	80
Total Outside Liabilities	**7,186**
Net Assets	**2,386**

Calculation of net deficit arising out of the amalgamation:

Particulars	Amount ₹
Share capital (A)	1
Revaluation reserve (B)	2,683
Accumulated losses (C)	(298)
Net assets D = (A) + (B) - (C)	**2,386**
Adjustments	
Investment value of subsidiary in the company (D)	2,422
Net surplus/(deficit) adjusted in Reserves and Surplus	(36)

(All amounts are in Indian ₹ lakhs except share data and as stated)

During the year ended March 31, 2012, the Company had acquired the shares of Hermit Projects Private Limited (HERMIT) from Advance India Projects Private Limited (AIPL), an independent third party builder. HERMIT was the Holding Company of Pace Info Com Park Private Limited (PACE), who was allotted a land by the Noida authorities and where the activity of construction of data center is in progress. At the time of acquisition of HERMIT from AIPL, the total consideration was determined as being ₹ 11,400 towards purchase of shares in HERMIT and settlement of assets and liabilities in the books of PACE and HERMIT.

HERMIT was merged with the Company effective April 1, 2013 by virtue of which PACE became the subsidiary of the Company on the effective date of merger with an investment value of ₹ 2,422 represented by 10,000 equity shares of ₹ 10 each. As of March 31, 2014, the Company had advanced a sum of ₹7,107 to PACE and had also advanced ₹1,807 to AIPL. Pursuant to the merger of PACE with the Company effective April 1,2014, the total consideration of ₹ 11,400 is adjusted towards the purchase consideration of the assets and liabilities lying in the books of PACE on the date of merger including any advances paid to AIPL towards purchase consideration of the assets and liabilities.

50. EUROPE INDIA GATEWAY

The Company has entered into a contract with Emirates Integrated Telecom (‘the Emirates’) for the construction and supply of undersea cable capacity from the Europe India Gateway. As per the contract with Emirates, the Company is required to pay its share of decommissioning costs, if any, that may arise in the future. No provision has been made by the Company for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2016. The capacity under the mentioned facility would be upgraded over a period of time.

51. IPO LISTING

The Ministry of Finance of the Government of India (‘MoF’) issued a press release dated March 31, 2006, making amendments to the ’Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993’ (‘the Scheme’). The amendments included a statement that unlisted Companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of May 22, 1998 and are not making profit, be permitted to comply with listing condition on the domestic stock exchanges within three years of having started making profit. Further, the press release states that no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges. Securities and Exchange Board of India (SEBI) has amended the (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2012 on October 12, 2012. In terms of the amended Clause 26 (1) (b), in order to be eligible to go for the Initial Public Offer, the Company should have a minimum average pre-tax operating profit of ₹ 150 calculated on a restated and consolidated basis, during the three most profitable years out of the immediately 5 preceding years.

This is in addition to the other clauses viz. it has a track record of distributable profits in terms of Section 123 of the Companies Act, 2013, for at least three out of the immediately preceding five years; provided that extraordinary items shall not be considered for calculating distributable profits, for being eligible to go for the IPO.

Hence the Company would not be able to raise funds by issuing ADRs until such time the Company complies with the ’Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993’ and lists in the domestic stock exchanges as per the above press release.

However, in September 2013, the Ministry of Finance, Government of India, has liberalized the condition for Unlisted Indian Companies to raise capital abroad without the requirement of prior or simultaneous listing in India initially for a period of two years in order to attract more Foreign Direct Investment.

52. DUES TO MICRO AND SMALL ENTERPRISES

The Company has not received any memorandum (as required to be filed by the supplier with the notified authorities under Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as Micro, Small or Medium Enterprises. Accordingly the amount paid/ payable to these parties is considered to be nil.

(All amounts are in Indian ₹ lakhs except share data and as stated)

53. ISSUE OF SHARES TO THE PROMOTER GROUP

On August 4, 2010, the Board of Directors of the company proposed the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the company's equity shares, par value ₹ 10 per share ("Equity shares"), for an aggregate purchase price of ₹ 40,000, to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's Chairman and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative of the acquirers in connection with the offering. Accordingly, the company issued 12,50,00,000 equity shares to Raju Vegesna Infotech & Industries Private Limited, a company affiliated with the promoter group on October 30, 2010. The above shares were subsequently transferred by Raju Vegesna Infotech & Industries Private Limited to Ramanand Core Investment Company Private Limited.

As of March 31, 2016, the Company has called-up and received a sum of ₹ 7 per share. The remaining amount of the purchase price will be called up at such time as determined by the company. Until the full purchase price is paid by the purchasers, the Company retains a lien on the equity shares purchased in connection with the Offering.

The remaining amount of purchase price uncalled as on March 31, 2016 is ₹ 12,000, which comprises of ₹ 3,750 towards share capital and ₹ 8,250 towards securities premium.

54. CONTRIBUTION TOWARDS CORPORATE SOCIAL RESPONSIBILITY

Section 135 of the Companies Act, 2013, requires Company to spend towards Corporate Social Responsibility (CSR). The Company is expected to spend ₹ 52 towards CSR in compliance of this requirement. A sum of ₹ 53 has been spent during the current year towards CSR activities as per details given below. The balance amount to be spent is Nil.

Organisation	**Amount ₹**
Venkateswara Institute of Research and Rehabilitation for the Disabled Trust, Dwarakha Tirumala	45
District Institute of Education and Training, Angaluru	5
ICT Academy of Tamilnadu	2
Special Children Sports Academy	1
Book Donations to District Institute of Education and Training, Angaluru	*
Total	**53**

* Amount below the rounding off norm adopted by the Company

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Statement containing the salient features of the financial statements of subsidiaries/ Associates/ Joint ventures

(Pursuant to first proviso to Sub-section (3) of Section 129 of the Companies Act, 2013, read with Rule 5 of the Companies (Accounts) Rules, 2014 - AOC - 1)

Sr. No.	Name of the subsidiary	Financial year ended	Exchange rate	Share capital	Reserves and surplus	Total assets	Total liabilities	Investments	Turnover	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	% of shareholding
1	Sify Technologies (Singapore) Pte Ltd	March 31, 2016	1 USD = ₹ 66.33	341	(63)	609	331	-	597	(43)	1	(42)	100%
2	Sify Technologies North America Corporation	March 31, 2016	1 USD = ₹ 66.33	5	2,401	3,215	809	-	2,885	(431)	-	(431)	100%

For and on behalf of the Board of Directors

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Consolidated Financial Statements
for the year ended March 31, 2016

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Sify Technologies Limited

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sify Technologies Limited ("the Holding Company") and its subsidiaries (collectively referred to as 'the Company' or 'the Group'), comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as ' the Consolidated Financial Statements').

2. Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of the consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 4 of Companies (Indian Accounting Standards) Rules 2015. The Board of Directors of the Company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment,including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its consolidated profit, its changes in consolidated equity and its consolidated cash flows for the year ended on that date.

5. **Other Matters**

   We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of ₹ 608.82 lakhs as at March 31, 2016, total revenues of ₹ 936.18 lakhs and net cash flows amounting to ₹ 241.43 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of net loss of ₹ 42.45 lakhs for the year ended March 31, 2016, as considered in the consolidated financial statements, whose financial statements have not been audited by us. These financial statements have been audited by other auditor, whose report have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the act, insofar as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor.

6. **Report on Other Legal and Regulatory Requirements**

   As required by Section 143 (3) of the Act, we report, to the extent applicable that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with rule 4 of Companies (Indian Accounting Standards) Rules 2015.

   e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies incorporated in India are disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and

   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Holding Company has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements - Refer Note 22 (a) (Contingent liabilities) and Note 43(a) (i), 43 (b) (legal proceedings) to the financial statements;

      ii. The Holding Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 31 (Disclosure pursuant to Ind AS 11 - Construction contracts) and Note 40 (a) (Financial and derivative instruments) to the consolidated financial statements;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No: 009571N/N500006

D K Giridharan
Partner
Membership No: 028738

Place: Chennai
Date : April 22, 2016

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 6 (f) of the Independent Auditors' Report of even date to the members of Sify Technologies Limited on the Consolidated Financial Statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of Sify Technologies Limited ("the Company/ the Holding Company"). The audit of the internal financial controls over financial reporting is applicable only to the Holding Company as there are no subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The Holding Company's Management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No: 009571N/N500006

D K Giridharan
Partner
Membership No: 028738

Place: Chennai
Date : April 22, 2016

Consolidated Balance Sheet as at March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note No. (D)	March 31, 2016	March 31, 2015	April 1, 2014
ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	1	61,372	49,547	45,751
(b) Capital work in progress		1,999	10,268	8,551
(c) Intangible assets	2	5,880	5,568	5,418
(d) Financial assets				
(i) Investments	3	17	17	17
(ii) Trade receivables	4	58	144	59
(iii) Other financial assets	5	2,049	2,633	2,267
(e) Other non-current assets	6	14,173	13,675	13,945
		85,548	81,852	76,008
(2) Current assets				
(a) Inventories	7	7,414	2,331	2,008
(b) Financial assets				
(i) Trade receivables	8	54,945	46,667	35,171
(ii) Cash and cash equivalents	9	17,048	14,477	12,701
(iii) Other financial assets	10	1,112	524	715
(c) Other current assets	11	20,283	17,021	14,676
		100,802	81,020	65,271
Total assets		1,86,350	1,62,872	1,41,279
EQUITY AND LIABILITIES				
EQUITY				
(a) Equity Share Capital	12	14,231	14,231	14,231
(b) Other Equity	13	60,758	57,404	55,312
		74,989	71,635	69,543
LIABILITIES				
(1) Non - Current liabilities				
(a) Financial liabilities				
(i) Borrowings	14	13,911	14,390	12,875
(ii) Other financial liabilities	15	2,051	1,654	1,587
(b) Provisions	16	863	727	302
(c) Other non-current liabilities	17	3,815	3,424	2,731
		20,640	20,195	17,495
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	18	18,759	15,003	10,859
(ii) Trade payables	19	40,527	28,911	23,767
(iii) Other financial liabilities	20	15,781	14,096	9,778
(b) Other current liabilities	21	15,567	12,964	9,752
(c) Provisions	16	87	68	85
		90,721	71,042	54,241
Total equity and liabilities		1,86,350	1,62,872	1,41,279

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The accompanying notes form an integral part of the Consolidated Balance Sheet

As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Consolidated Statement of Profit and Loss for the year ended March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note No. (D)	For the year ended March 31, 2016	For the year ended March 31, 2015
Revenue from operations	24	150,349	128,643
Other income	25	1,519	1,585
Total revenue		151,868	130,228
EXPENSES			
Cost of goods sold and services rendered	26	86,201	72,970
Employee benefits expense	27	19,194	15,799
Finance costs	28	5,657	5,131
Depreciation and amortisation expense	1 and 2	15,980	12,720
Other expenses	29	20,454	19,863
Total expenses		147,486	126,483
Profit before tax		4,382	3,745
Tax (expense) / recovery	32	1	(1)
Profit after tax		4,383	3,744
Other Comprehensive Income			
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of net defined benefit liability/asset		14	(211)
Items that will be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		134	41
Total Other Comprehensive Income for the year		148	(170)
Total Comprehensive Income for the year		4,531	3,574
Earnings per equity share (Rs. 10 paid up)	34		
Basic		3.11	2.65
Diluted		3.10	2.65
Earnings per equity share ₹ 7 (March 31, 2015 : ₹ 7) paid up	34		
Basic		2.18	1.86
Diluted		2.17	1.86

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The notes referred to above form an integral part of the Consolidated Statement of Profit and loss.
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Consolidated Statement of changes in Equity for the year ended March 31, 2016

A. Equity Share Capital

(All amounts are in Indian ₹ lakhs except share data and as stated)

Balance as at April 1, 2014	Change in Equity share capital during the year	Balance as at March 31, 2015	Change in Equity share capital during the year	Balance as at March 31, 2016
14,231	-	14,231	-	14,231

B. Other Equity

	Reserves and surplus			Other Components of Equity			Total
	Securities Premium	General Reserve	Retained earnings	Stock Options Outstanding	Exchange differences on translation of foreign operations	Remeasurements of net defined benefit liability/asset	
2014-15							
Balance as at April 1, 2014 - (A)	71,110	536	(16,785)	3	27	421	55,312
Profit for the year	-	-	3,744	-	-	-	3,744
Other comprehensive income	-	-	-	-	41	(211)	(170)
Total comprehensive income for the year 2014-15 - (B)	-	-	3,744	-	41	(211)	3,574
Stock options transferred to general reserve	-	3	-	(3)	-	-	-
Employee stock compensation cost for the year	-	-	-	117	-	-	117
Adjustment of (deficit)/ surplus arising on account of business combination	-	-	-	-	-	-	-
Dividend paid (Including dividend distribution tax) for 2013-14 approved by shareholders in annual general meeting held on July 28, 2014	-	-	(1,599)	-	-	-	(1,599)
Balance as at March 31, 2015 - (C)	71,110	539	(14,640)	117	68	210	57,404
Accumulated losses dealt with vide scheme of merger as per contra - (Refer Note D - 44) - D	(27,661)		27,661	-	-	-	-
Amount carried forward to Balance Sheet [(E) = (C) +(D)]	43,449	539	13,021	117	68	210	57,404
2015-16							
Balance as at April 1, 2015 - (A)	71,110	539	(14,640)	117	68	210	57,404
Profit for the year	-	-	4,383	-	-	-	4,383
Other comprehensive income	-	-	-	-	134	14	148
Total comprehensive income for the year 2015-16 - (B)	-	-	4,383	-	134	14	4,531
Employee stock compensation cost for the year	-	-		520	-	-	520
Dividend paid (Including dividend distribution tax) for 2014-15 approved by shareholders in annual general meeting held on June 18, 2015	-	-	(1,697)	-	-	-	(1,697)
Balance as at March 31, 2016 - (C)	71,110	539	(11,954)	637	202	224	60,758
Accumulated losses dealt with vide scheme of merger as per contra - (Refer Note D - 44) -D	(27,661)	-	27,661	-	-	-	-
Amount carried forward to Balance Sheet [(E) = (C) +(D)]	43,449	539	15,707	637	202	224	60,758

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The notes referred to above form an integral part of the Consolidated Statement of Changes in Equity
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2016

(All amounts are in Indian ₹ lakhs except share data and as stated)

		For the year ended March 31, 2016	For the year ended March 31, 2015
Profit before tax		4,382	3,745
Adjustments for :			
Depreciation and amortisation expense		15,980	12,720
Finance expenses (considered separately)		4,394	4,126
Provision for doubtful debts (including bad debts written off and provision written back) (net)		1,822	1,990
Employee stock compensation expense		520	117
Deposits/ advances, no longer payable, written back		-	(416)
Provision for expenses no longer required written back		(499)	-
Provision for doubtful advances		-	616
Amortisation of lease prepayments		147	144
Unrealised foreign exchange fluctuation loss/(gain), net		310	608
Interest income (considered separately)		(454)	(615)
(Profit) /loss on sale of Property, Plant and Equipment (net)		(16)	(40)
Operating profit / (loss) before working capital changes		26,586	22,995
(Increase)/decrease in trade receivables - current		(10,177)	(13,480)
(Increase)/decrease in trade receivables - non-current		86	(85)
(Increase)/decrease in inventories		(5,083)	(323)
(Increase)/decrease in other non-current assets		(714)	(1,089)
(Increase)/decrease in other current assets		1,653	(735)
(Increase)/decrease in other financial assets - current		(586)	101
(Increase)/decrease in other financial assets -non current		584	(366)
Increase/(decrease) in trade payables		12,117	5,271
Increase/(decrease) in other financial liabilities - non current		397	67
Increase/(decrease) in other non current liabilities		391	704
Increase/(decrease) in other current liabilities		2,603	3,212
Increase/(decrease) in other financial liabilities - current		(68)	380
Increase/(decrease) in long term provisions		150	214
Increase/(decrease) in short term provisions		19	(17)
Cash generated from operations		27,958	16,849
Tax (Paid)/refund received		(4,914)	(3,087)
Net cash generated from operating activities	*(A)*	23,044	13,762
Cash flow from investing activities			
Purchase of Property, Plant and Equipment		(16,022)	(8,912)
Sale proceeds of Property, Plant and Equipment		17	40
Interest income received		452	705
Net cash used in investing activities	*(B)*	(15,553)	(8,167)
Cash flow from financing activities			
Dividend Paid		(1,410)	(1,367)
Dividend Distribution Tax		(287)	(232)
Proceeds from long-term borrowings		12,585	9,806
Repayment of long-term borrowings		(15,047)	(11,394)
Increase/(decrease) in short - term borrowings		4,034	2,298
Interest paid		(4,416)	(4,083)
Net cash used in financing activities	*(C)*	(4,541)	(4,972)
Effect of exchange differences on translation of cash and cash equivalents	*(D)*	(8)	(43)
Net increase in cash and cash equivalents during the year	*(A) + (B) + (C)+(D)*	2,942	580
Cash and cash equivalents at the beginning of the year		6,908	6,328
Cash and cash equivalents at the end of the year# [Refer Note D(9)]		9,850	6,908
# Cash and cash equivalents subject to lien		3,142	2,179

Significant accounting policies and notes to the financial statements (Refer notes C and D)

The notes referred to above form an integral part of the Consolidated Cash Flow Statement.
As per our report of even date attached.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

(All amounts are in Indian ₹ lakhs except share data and as stated)

A. GROUP OVERVIEW

Sify Technologies Limited ('Sify' or 'the Company') is a Company domiciled in India. The address of the Company's registered office is 2nd Floor, Tidel Park, 4, Rajiv Gandhi Salai, Taramani, Chennai – 600113, India. The Company and its subsidiaries Sify Technologies (Singapore) Pte. Limited and Sify Technologies North America Corporation (are together referred to as the 'Group' and individually as 'Group entities'). The Group offers converged ICT solutions comprising network, data center, cloud, integration, IT and software services. The Company was incorporated on December 12, 1995 and is listed on the NASDAQ Global Select Market. These Consolidated Financial Statements comprise of the Company and its subsidiaries.

B. BASIS OF PREPARATION

The Ministry of Corporate Affairs ('the MCA'), Government of India vide G.S.R. 111(E) in exercise of the powers conferred by Section 133 read with Section 469 of the Companies Act, 2013 (The 'Act') and subsection 1 of section 210A of the Companies Act 1956 (The Erstwhile Act) in consultation with National Advisory Committee on Accounting Standards notified Rules called Companies (Indian Accounting Standard) Rules 2015 effective April 1, 2015. The MCA vide notification G.S.R. 365(E) dated March 30, 2016 issued certain amendments to Ind AS vide Companies (Indian Accounting Standards) Amendment Rules 2016. The MCA vide notification G.S.R. 404 (E) dated April 6, 2016 introduced amendments to Schedule III of the Act requiring companies to prepare the financial statements in compliance with Companies (Indian Accounting Standard) Rules 2015. The Group vide its board resolution dated April 23, 2015 resolved to voluntarily adopt Ind AS in preparation of financial statements for the year ended March 31, 2016. Pursuant to the above resolution and rules framed by MCA, the Group prepared its financial statements as per Ind AS for the year ended March 31, 2016 with April 1, 2014 being the date of transition. The comparative figures in the Consolidated Balance sheet as at March 31, 2015 and April 1, 2014 and Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year ended March 31, 2015 have been restated accordingly.

The Consolidated financial statements of the Group have been prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis of accounting, except for Cash Flow Statement and Assets and Liabilities that have been measured on Fair value basis. GAAP comprises of Indian Accounting Standards (Ind AS) as specified in Section 133 of the Act read together with Rule 4 of Companies (Indian Accounting Standards) Amendment Rules 2016 to the extent applicable, pronouncements of regulatory bodies applicable to the Group and other provisions of the Act. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set-out in note C (22). Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

1. Statement of Compliance

The Consolidated Financial Statements comprising Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, Consolidated Statement of changes in Equity, Consolidated Cash Flow Statement together with notes for the year ended March 31, 2016 have been prepared in accordance with Ind AS as notified above, duly approved by the Board of Directors at its meeting held on April 22, 2016.

2. Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Financial assets at fair value through other comprehensive income are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.
- The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.
- In relation to lease prepayments, the initial fair value of the security deposit is estimated as the present value of the refundable amount, discounted using the market interest rates for similar instruments. The difference between the initial fair value and the refundable

amount of the deposit is recognized as a lease prepayment.

The above items have been measured at fair value and the methods used to measure fair values are discussed further in Note C (20).

3. Functional and Presentation Currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Indian rupee is the functional currency of Sify. The U.S. dollar is the functional currency of Sify's foreign subsidiaries located in Singapore and the United States of America.

The Consolidated Financial Statements are presented in Indian Rupees (₹) which is the Group's presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest lakhs except where otherwise indicated.

4.1. First-time adoption of Ind AS

The Consolidated Financial Statements for the year ended March 31, 2016 are the first financial statements prepared by the Group in accordance with Ind AS.

For the periods upto and inclusive of year ended March 31, 2015, the Group prepared its Consolidated Financial Statements in accordance with accounting standards specified in Section 133 of the Companies Act 2013 read together with rule 7 of Companies (Accounting Standards) Rules 2014 (Previous GAAP). Reconciliation and description of the effect of the transition from previous GAAP to Ind AS on Equity, Profit and Cash Flows are provided in Note 30. The Balance Sheet as on date of transition has been prepared in accordance with Ind AS 101 First- time Adoption of Indian Accounting Standards.

Ind AS 101 requires that all Ind AS effective for the first Ind AS Consolidated Financial Statements be applied consistently and retrospectively for all fiscal years presented. However, this standard provides some exceptions and exemptions to this general requirement in specific cases. The application of these exemptions and exceptions are as discussed below:

4.2. Exceptions to retrospective application of other Ind AS

i. ***Estimates:*** An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is an objective evidence that those estimates were in error. The Group has not made any changes to estimates made in accordance with Previous GAAP.

ii. ***Ind AS 109 Financial instruments (Derecognition of previously recognised financial assets / financial liabilities):*** An entity shall apply the derecognition requirements in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. The Group has applied the derecognition requirements prospectively.

iii. ***Ind AS 109 Financial instruments (Hedge accounting):*** At the date of transition to Ind AS, an entity shall measure all derivatives at fair value and eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities. The Group has measured all derivatives at fair value eliminating deferred losses and gains arising on derivatives.

Under Ind AS 109, hedge accounting is to be applied only to hedging relationships that meet the requirements for hedge accounting on the date of transition. An entity shall not reflect in its opening Ind AS Balance sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with Ind AS 109. However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with Ind AS an individual item within the net position, or a net position if that meets the requirements of Ind AS 109 provided that it does so no later than the date of transition to Ind AS. If, before the date of transition to Ind AS, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in Ind AS 109, the entity shall discontinue hedge accounting. Transactions entered into before the date of transition to Ind AS shall not be retrospectively designated as hedges. The Group does not have any hedging relationships to which this exception apply.

iv. ***Ind AS 109 Financial instruments (Classification and measurement of***

financial assets): Classification and measurement of financial assets shall be made on the basis of the facts and circumstances that exist at the date of transition to Ind AS. The Group has evaluated the facts and circumstances existing on the date of transition to Ind AS for the purpose of classification and measurement of financial assets and accordingly has classified and measured financial assets on the date of transition.

v. ***Ind AS 109 Financial instruments (Impairment of Financial Assets):*** Impairment requirements under Ind AS 109 should be applied retrospectively based on reasonable and supportable information that is available on transition date without undue cost or effort. The Group has applied impairment requirements retrospectively.

vi. ***Ind AS 109 Financial instruments (Embedded derivatives):*** Ind AS 109 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of conditions that existed at the later of the date it first became party to the contract and the date a reassessment is required. The Group does not have any embedded derivative on the transition date.

vii. ***Ind AS 109 Financial instruments (Government Loans):*** A first-time adopter shall classify all Government loans received as a financial liability or an equity instrument in accordance with Ind AS 32, Financial Instruments: Presentation. If a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS Balance sheet. An entity shall apply Ind AS 109 and Ind AS 20 Accounting form Government Grants and Disclosure of Government Assistance, prospectively to Government loans existing of the date of transition to Ind AS. The first time adopter shall not recognise the corresponding benefit of the Government loan at a below market rate of interest as a Government grant. The Group did not avail any Government loan and accordingly this exception is not applicable.

viii. ***Ind AS 110 Consolidated financial statements (non - controlling interests):*** An entity shall apply the following requirements of Ind AS 110 prospectively from the date of transition to Ind AS:

(a) attributing total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in non-controlling interest having a deficit balance.

(b) changes in parents ownership interest in subsidiary that do not result in parent losing control of subsidiary, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

(c) accounting for a loss of control over a subsidiary and the related requirements.

There are no non-controlling interests and hence this exception is not applicable.

4.3. Exemptions from retrospective application of Ind AS

i. ***Ind AS 103 Business combinations:*** An entity may elect not to apply Ind AS 103 retrospectively to all past business combinations that occurred before the date of transition after a particular date or not to apply for past business combinations prior to the date of transition. The Group has elected not to apply Ind AS 103 to business combinations that occurred before the date of transition to Ind AS.

ii. ***Ind AS 102 Share based Payment:*** The entity may elect to apply Ind AS 102 to equity instruments that vested before the date of transition to Ind AS. The Group has not applied Ind AS 102 to grants which vested before the date of transition to Ind AS.

iii. ***Ind AS 104 Insurance Contracts:*** An entity shall apply Ind AS 104 for annual periods beginning on or after the date of transition to Ind AS. If an entity applies Ind AS 104 for a earlier period, it shall disclose the fact. Ind AS 104 is not applicable to the Group.

iv. ***Ind AS 16 Property, plant and equipment/ Ind AS 38 Intangible assets:*** An entity may elect to measure an item of Property, Plant and Equipment and Intangible asset at the date of transition to Ind AS at its fair value and use that fair value as deemed cost at that date or may measure the items of Property, Plant and Equipment, intangibles by applying Ind AS retrospectively or use the carrying amount under Previous GAAP on the date of transition as deemed cost. The Group has elected to continue with the carrying amount for all of its Property, Plant and Equipment and Intangible assets measured as per Previous GAAP and use that as its deemed cost as at the date of transition.

Decommissioning liabilities included in the cost of Property, Plant and Equipment: Appendix A to Ind AS 16 on Changes in Existing, Decommissioning, Restoration and Similar Liabilities requires specified changes in decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to Ind AS. The Group has not adjusted changes in liabilities to the cost of assets retrospectively.

v. ***Ind AS 17 Leases:*** An entity shall determine based on facts and circumstances existing at the date of transition to Ind AS whether an arrangement contains a Lease and when a lease includes both land and building elements, a first time adopter may assess the classification of each element as finance or operating lease. The Group has applied this exemption and assessed all arrangements based on conditions existing as at the date of transition.

vi. ***Ind AS 21 The effect of changes in foreign exchange rates:*** Cumulative translation differences for all foreign operations shall be deemed to be zero on the date of transition to Ind AS. The Group has not applied this exemption.

Long Term Foreign currency Monetary items: A first- time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The Group did not adopt the policy of amortising exchange differences on long term foreign currency monetary items and hence this exemption does not apply.

vii. ***Ind AS 32 Financial Instruments:*** Presentation. Ind AS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. As per Ind AS 101 First Time Adoption of Ind AS, if the liability component is no longer outstanding at the date of transition to Ind AS, an entity need not separate the amount recognised in equity into retained earnings and issued equity. This exemption is not applicable as the Group has not issued any compound financial instruments.

viii. ***Ind AS 109 Financial Instruments:*** Ind AS 109 permits an entity to designate a financial liability, financial asset (meeting certain criteria) at fair value through profit or loss. A financial liability/financial asset shall be designated at fair value through profit or loss, on the basis of the facts and circumstances that exist at the date of transition to Ind AS. There are no financial liabilities or financial assets that are specifically designated at FVTPL and hence this exemption is not applicable.

An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS. The Group has designated unquoted equity instruments in other companies as at FVTOCI, based on the assessment made on the date of transition to Ind AS.

ix. ***Ind AS 105 Non-current Assets held for Sale and Discontinued operations:*** Ind AS 105 requires that non-current assets (or disposal groups) that meet the criteria to be classified as held for sale, non-current assets (or disposal groups) that are held for distribution to owners and operations that meet the criteria to be classified as discontinued operations shall be carried at lower of its carrying amount and fair value less costs to sell on the date of such identification. A first time adoptor can measure such assets or operations on the date of transition to Ind AS and recognise the difference between that amount and carrying amount under previous GAAP directly in retained earnings.

The Group does not have any non current asset/ disposal groups to be classified as held for sale. Hence, this exemption is not applicable to the Group.

5. **Use of estimates**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Application of accounting policies that require critical accounting estimates and assumption having the most significant effect on the amounts recognized in the financial statements are:

- Valuation of financial instruments [Note C(3)]
- Useful lives of property, plant and equipment [Note C(5)]
- Useful lives of intangible assets [Note C(7)]
- Lease classification [Note C(8)]
- Determination of percentage completion in construction contracts [Note C(10)]
- Measurement of defined employee benefit obligations [Note C(12)]
- Measurement of share-based payments [Note C(13)]
- Provisions [Note C(14)]
- Utilization of tax losses [Note C(18)]

C. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

1. Basis of consolidation

The financial statements of the Group companies are consolidated on a line-by-line basis. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. These financial statements are prepared by applying uniform accounting policies in use at the Group.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Company controls an investee if and only if the Company has all the following :

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the amount of the Company's returns.

Generally, there is a presumption that majority of voting rights results in control. To support this presumption and when the Group has less than a majority of voting of similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

2. Foreign currency

(a) ***Foreign currency transactions and balances***

Transactions in foreign currencies are initially recognized in the financial statements using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a

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foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Foreign currency differences arising on translation are recognized in the income statement for determination of net profit or loss during the period.

(b) ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations and cash flows are translated to using average exchange rates during the period. Any differences arising on such translation are recognized in other comprehensive income. Such differences are included in the foreign currency translation reserve "FCTR" within other components of equity. When a foreign operation is disposed off, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

3. **Financial Instruments**

(a) ***Financial Assets***

Financial assets comprises of investments in equity and debt securities, trade receivables, cash and cash equivalents and other financial assets.

Initial recognition:

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement:

(i) ***Financial assets measured at amortized cost:*** Financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using effective interest rate (EIR) method. The EIR amortisation is recognised as finance income in the Statement of Profit and Loss.

The Group while applying above criteria has classified the following at Amortised cost

a) Trade receivable

b) Other financial assets.

(ii) ***Financial assets at fair value through other comprehensive income (FVTOCI):*** Financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments towards principal and interest on the principal amount outstanding are subsequently measured at FVTOCI. Fair value movements in financial assets at FVTOCI are recognised in other comprehensive income.

Equity instruments held for trading are classified as at fair value through profit or loss (FVTPL). For other equity instruments the company classifies the same as at FVTOCI. The classification is made on initial recognition and is irrevocable. Fair value changes on equity investments at FVTOCI, excluding dividends, are recognised in other comprehensive income (OCI).

(iii) ***Financial assets at fair value through profit or loss (FVTPL):*** Financial asset are measured at fair value through profit or loss if it does not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income. All fair value changes are recognised in the Statement of Profit and Loss.

Derecognition of financial assets:

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition. On derecognition of a financial asset in its entirety the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in Statement of profit and loss.

Impairment of financial assets:

Trade receivables, contract assets, lease receivables under Ind AS 109, investments in debt instruments that are carried at amortised cost, investments in debt instruments that are carried at FVTOCI are tested for impairment based on the expected credit losses for the respective financial asset.

(i) ***Trade receivables***

An impairment analysis is performed at each reporting date. The expected credit losses over lifetime of the asset are estimated by adopting the simplified approach using a provision matrix which is based on historical loss rates reflecting current condition and forecasts of future economic conditions. In this approach, assets are grouped on the basis of similar credit characteristics such as industry, customer segment, past due status and other factors which are relevant to estimate the expected cash loss from these assets.

(ii) ***Other financial assets***

Other financial assets are tested for impairment based on significant change in credit risk since initial recognition and impairment is measured based on probability of default over the lifetime when there is significant increase in credit risk.

(b) Financial liabilities

Initial recognition and measurement: Financial liabilities are initially recognised at fair value plus any transaction cost that are attributable to the acquisition of the financial liabilities except financial liabilities at fair value through profit or loss which are initially measured at fair value.

Subsequent measurement:

The financial liabilities are classified for subsequent measurement into following categories:

- at amortised cost
- at fair value through profit or loss

(i) Financial liabilities at amortised cost:

The company is classifying the following under amortised cost;

a) Borrowings from banks
b) Borrowings from others
c) Finance lease liabilities
d) Trade payables
e) Other financial liabilities

Amortised cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

(ii) Financial liabilities at fair value through profit or loss;

Financial liabilities held for trading are measured FVTPL.

Derecognition of financial liabilities:

A financial liability shall be derecognised when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(c) Derivative financial instruments

Foreign exchange forward contracts and options are entered into by the group to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. The Group also enters into cross currency interest rate swaps for hedging the risk against variability in cash flows of its term loan. These derivative contracts do not qualify for hedge accounting under Ind AS 109, and are initially recognized at fair value on the date the contract is entered into and subsequently measured at fair value through profit or loss. Gains or losses arising from changes in the fair value of the derivative contracts are recognized in profit or loss.

(d) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group has a legal right to offset the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

(e) Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are categorised as equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification

(All amounts are in Indian ₹ lakhs except share data and as stated)

is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

4. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or share options are recognized as a deduction from equity, net of any tax effects.

5. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment and are recognized net within "other income / other expenses" in the Statement of Profit and Loss.

Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit and Loss during the period in which it is incurred.

Depreciation:

Depreciation is recognized in the Statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation on contract-specific assets are charged co-terminus over their contract period. Management's estimated useful lives for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Estimate of useful life in years
Buildings	28
Plant and equipment	
- Tower, telecom ducts, cables and optical fibre and telecom transceivers	3 - 8
- Computer servers	5
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

The depreciation method, useful lives and residual value are reviewed at each of the reporting date.

6. Business combinations

Business combinations are accounted for using Ind AS 103 Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103. The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transactions costs that the Group incurs in connection with a business combination such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

The acquisition of an asset or a group of assets that does not constitute a 'business' as per Ind AS 103 is accounted for by identifying and recognizing the individual identifiable assets acquired and liabilities assumed. The cost of the group of assets is allocated to such individual identifiable assets and liabilities on the basis of their relative fair values on the date of purchase.

Business combinations involving entities or businesses under common control have been accounted for using the pooling of interests method.

7. Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Amortization of intangible assets with finite useful lives:

Amortization is recognized in Statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and previous year are as follows:

	Estimate of useful life in years
System software	1 - 3
Undersea cable capacity	12
Other Intangibles	3 - 5

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

8. Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Assets taken on finance lease:

A finance lease is recognized as an asset and a liability at the commencement of lease, at lower of the fair value of leased asset or the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets taken on operating lease:

Assets taken on operating leases are not recognized on the Group's Balance Sheet. Payments made under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

Assets given on finance lease:

The Group is a dealer lessor for leasing various types of products sold to its customers. Profit or loss on sale of such products is recognized in accordance with the policy on outright sales. Finance income i.e., excess of gross minimum lease payments and normal selling price is recognized over the lease period.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Assets given on operating lease:

Assets given on operating lease are depreciated over the useful life of the assets. Rental income is recognised in the Statement of profit and loss on a straight line basis over the lease term.

Deposits provided to lessors:

The Group is generally required to pay refundable security deposits in order to obtain property leases from various lessors. Such security deposits are financial assets and are recorded at fair value on initial recognition. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment. The initial fair value is estimated as the present value of the refundable amount of security deposit, discounted using the market interest rates for similar instruments.

Subsequent to initial recognition, the security deposit is measured at amortized cost using the effective interest method with the carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognized as interest income. The lease prepayment is amortized on a straight line basis over the lease term as lease rental expense.

9. Inventories

Inventories comprising traded hardware and software are measured at the lower of cost (determined using first-in first-out method) and net realizable value. Cost comprises cost of purchase and all directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

10. Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be billed to customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billing and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contracts and activities based on normal operating capacity. Percentage completion is measured based on the amount of time and effort spent on a project.

Construction contract in progress is presented as part of other current assets in the Balance Sheet for all contracts in which costs are incurred plus recognized profit exceed progress billings. If progress billings exceeds cost incurred plus recognized profits, the difference is presented as deferred income / unearned revenue in the Balance Sheet.

11. Impairment of non financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in Statement of profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

Reversal of impairment loss:

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized directly in other comprehensive income and presented within equity.

12. **Employee benefits**

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Company, as detailed below:

(a) **Defined contribution plan (Provident fund):**

In accordance with Indian law, eligible employees receive benefits from provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Group does not have any legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligation for contributions to the plan is recognized as an employee benefit expense in the Statement of Profit and Loss when incurred.

(b) **Defined benefit plans (Gratuity):**

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Group. The Group's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service cost and the fair value of plan assets are deducted. The discount rate is the yield at the reporting date on risk free government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The Group recognizes all remeasurements of net defined benefit liability/asset directly in other comprehensive income and presented within equity. The Group has an employees gratuity fund managed by the Life Insurance Corporation of India (LIC).

(c) **Short term benefit:**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(d) **Compensated absences:**

The employees of the Group are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The Group recognizes an obligation for compensated absences in the period in which the employee renders the services. The Group provides for the expected cost of compensated absence in the Statement of Profit and Loss as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated based on actuarial valuations carried out by an independent actuary at the balance sheet date.

13. **Share-based payment transactions**

The fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the options are vested. The increase in equity recognized in connection with a share based payment transaction is presented as a separate component in equity. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest. In respect of options whose terms and conditions are modified, the Group includes the incremental fair value of the options in the measurement of the amounts recognized for services received from the employees. The incremental fair value is the difference between the fair value of the modified option and that of the original option both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

14. Provisions

Provisions are recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

15. Revenue recognition

(i) Revenue from sale of goods

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

(ii) Revenue from services

Revenue from services rendered is generally recognized in proportion to the stage of completion of the transaction at the reporting date. Revenue is recognized when the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the Group;
- the stage of completion at the Balance Sheet date can be measured reliably; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The revenue recognition in respect of the various streams of revenue is described below:

(a) Telecom Services:

Revenue from Telecom services include Data network services and Voice services. Telecom services primarily include revenue from connectivity services, NLD/ILD services, network management and revenue from the installation of connectivity links.

The Group provides connectivity and network management for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work.

(i) Income from operating leases:

Lease rentals arising on assets given on operating leases are recognised over the period of the lease term on a straight line basis.

(ii) Indefeasible Right of Use (IRU):

The Group has entered into IRU arrangements through which it entitles its customers the right of use of specified bandwidth capacity for a specified period of time. The upfront payment received towards right of use of bandwidth capacities under such agreements have been treated as deferred revenue and is recognised on a straight line basis over the term of the arrangement.

(b) Data Center Services (DC):

Revenues from DC services consist of co-location of racks, caged racks and power charges. The contracts are mainly for a fixed rate for a period of time and are recognised over the period during which the service is provided.

(c) Cloud and Managed Services:

Revenue from cloud and managed services include revenue from cloud and storage solutions, managed services, value added services and International managed services. Revenues from cloud and on demand compute and storage, are primarily fixed for a period of time. Revenues from domestic and international managed services comprise of value added services, operations and maintenance of projects and remote infrastructure management. Contracts from this segment are fixed term or time and material contracts where revenue is recognised on percentage completion method. The stage of completion is measured by efforts spent to estimated total efforts on straight line basis over the term of the contract.

(d) Technology Integration Services:

Revenue from Technology Integration Services include System Integration Services, revenue from construction of data centers, security solutions, digital certificate based authentication services and revenue from sale of hardware and software.

Revenue from construction contract represents revenue from construction of data centres to the specific needs and design of the customer. Such contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in the Statement of Profit and Loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the Statement of Profit and Loss.

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

(e) Applications Integration Services:

Revenue from Applications Integration services include online assessment, document management services, web development, mailing solutions, supply chain software and e-learning software development services. E-learning software development services consists of structuring of contents, developing modules, delivery and training users in the modules developed. Revenue from Applications Integration Services is recognised based on percentage of completion method. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

The Group enters into contracts with customers to serve advertisements in the portal and the Group is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click throughs / leads delivered.

In certain cases, some elements belonging to the services mentioned above are sold as a package consisting of all or some of the elements. In these cases, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are

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recognised as separable elements because each element constitutes a separate earning process, has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements.

Deferred income

Deferred income represents unserviced portion of billed contracts.

16. Finance Income and expense

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it accrues in Statement of Profit and Loss, using the effective interest method. Dividend income is recognized in Statement of profit and loss on the date when the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance expense comprises of interest expense on loans and borrowings, bank charges, unwinding of discount on provision, fair value losses on financial assets at fair value through profit or loss that are recognized in Statement of Profit and Loss. Fair value changes attributable to hedged risk are recognised in Statement of Profit and Loss.

17. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which they are incurred. To the extent the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowings costs eligible for capitalization by applying a capitalization rate to the expenditure incurred on such asset. The capitalization rate is determined based on the weighted average of borrowing costs applicable to the borrowings of the Group which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing costs that the Group capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.

18. Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of profit and loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Minimum Alternate Tax (MAT) is accounted as current tax when the Group is subjected to such provisions of the Income Tax Act. However, credit of such MAT paid is available when the Group is subjected to tax as per normal provisions in the future. Credit on account of MAT is recognized as an asset based on the management's estimate of its recoverability in the future.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and

(ii) differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future.

(iii) Arising due to taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxation arising on investments in subsidiaries and associates is recognized except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation on temporary differences arising out of undistributed earnings of the equity method accounted investee is recorded based on the management's intention. If the intention is to realize the undistributed earnings through sale, deferred tax is measured at the capital gains tax rates that are expected to be applied to temporary differences when they reverse. However, when the intention is to realize the undistributed earnings through dividend, the company's share of the income and expenses of the equity method accounted investee, is recorded in the Statement of Profit and Loss, after considering any taxes on dividend payable by the equity method accounted investee and no deferred tax is set up in the books as the tax liability is not with the Group.

19. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the Profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Where ordinary shares are issued but not fully paid, they are treated in the calculation of basic earnings per share as a fraction of an ordinary share to the extent that they were entitled to participate in dividends during the period relative to a fully paid ordinary share. Diluted EPS is determined by adjusting the Profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes share options granted to employees. To the extent that partly paid shares are not entitled to participate in dividends during the period, they are treated as the equivalent of warrants or options in the calculation of diluted earnings per share.

20. Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The fair value hierarchy is described as below:

Level 1 - unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investments in equity and debt securities

The fair value is determined by reference to their quoted price at the reporting date. In the absence of quoted price, the fair value of the financial asset is measured using valuation techniques.

(ii) Trade and other receivables

The fair value of trade and other receivables, excluding construction contracts in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. However in respect of such financial instruments, fair value generally approximates the carrying amount due to the short term nature of such assets. This fair value is determined for disclosure purposes or when acquired in a business combination.

(iii) Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds). The fair value of foreign currency option contracts is determined based on the appropriate valuation techniques, considering the terms of the contract. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party when appropriate. The fair value of the cross currency swaps (principal only swaps) and interest rate swaps is determined based on the discounting of the future cash flows at the market rates existing on the reporting date.

(iv) Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(v) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes method. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected term of the instrument (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds).

21. Dividend distribution to equity shareholders

Dividend distributed to Equity shareholders is recognised as distribution to owners of capital in the Statement of Changes in Equity, in the period in which it is paid.

22. Current/ non-current classification

An asset is classified as current if:

(a) it is expected to be realised or sold or consumed in the Group's normal operating cycle;

(b) it is held primarily for the purpose of trading;

(c) it is expected to be realised within twelve months after the reporting period; or

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current if:

(a) it is expected to be settled in normal operating cycle;

(b) it is held primarily for the purpose of trading;

(c) it is expected to be settled within twelve months after the reporting period;

(d) it has no unconditional right to defer the settlement of the liability for at lease twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realisation in cash and cash equivalents. The Group's normal operating cycle is twelve months.

D. Notes to Accounts

(All amounts are in Indian ₹ lakhs except share data and as stated)

1. Property, Plant and Equipment

The following table presents the changes in property, plant and equipment during the year ended March 31, 2016

Particulars	ORIGINAL COST				DEPRECIATION				NET BLOCK	
	As at April 1, 2015	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at April 1, 2015	For the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Buildings	17,042	3,089	-	20,131	3,347	639	-	3,986	16,145	13,695
Plant and equipment	73,955	14,886	422	88,419	53,646	8,118	421	61,343	27,076	20,309
Furniture and fittings	1,517	31	4	1,544	1,445	27	4	1,468	76	72
Office equipment	2,796	1,010	4	3,802	2,068	261	4	2,325	1,477	728
Leasehold improvements	5,930	2,707	-	8,637	4,431	671	-	5,102	3,535	1,499
Assets acquired under lease										
Building	2,911	-	-	2,911	874	103	-	977	1,934	2,037
Plant and machinery	17,895	5,108	-	23,003	6,688	5,186	-	11,874	11,129	11,207
Motor vehicles	29	-	-	29	29		-	29	-	-
	122,075	26,831	430	148,476	72,528	15,005	429	87,104	61,372	49,547

The following table presents the changes in property, plant and equipment during the year ended March 31, 2015

Particulars	ORIGINAL COST				DEPRECIATION				NET BLOCK	
	As at April 1, 2014	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at April 1, 2014	For the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Buildings	15,218	1,824	-	17,042	2,738	609	-	3,347	13,695	12,480
Plant and equipment	69,762	5,418	1,225	73,955	48,235	6,636	1,225	53,646	20,309	21,527
Furniture and fittings	1,495	81	59	1,517	1,447	57	59	1,445	72	48
Office equipment	2,369	458	31	2,796	1,863	236	31	2,068	728	506
Leasehold improvements	5,014	949	33	5,930	4,057	407	33	4,431	1,499	957
Assets acquired under lease										
Building	2,911	-	-	2,911	771	103	-	874	2,037	2,140
Plant and machinery	11,005	6890	-	17,895	2,913	3,775	-	6,688	11,207	8,092
Motor vehicles	29	-	-	29	28	1	-	29	-	1
	107,803	15,620	1,348	122,075	62,052	11,824	1,348	72,528	49,547	45,751

Notes

(a) Refer note D (14) for security given for borrowings.
(b) Refer note D (22) (b) for capital commitments.

2. Intangible assets

(All amounts are in Indian ₹ lakhs except share data and as stated)

The following table presents the changes in intangible assets during the year ended March 31, 2016

Particulars	ORIGINAL COST				AMORTISATION				NET BLOCK	
	As at April 1, 2015	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at April 1, 2015	For the year	Deletions/ Adjustments during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Undersea cable capacity	5,765	659	-	6,424	1406	504	-	1910	4,514	4,359
System software	5,173	628	-	5,801	4409	444	-	4853	948	764
License fees	730	-	-	730	285	27	-	312	418	445
Customer and contract related intangibles	1,824	-	-	1,824	1,824	-	-	1,824	-	-
	13,492	**1287**	**-**	**14779**	**7,924**	**975**	**-**	**8,899**	**5,880**	**5,568**

The following table presents the changes in intangible assets during the year ended March 31, 2015

Particulars		ORIGINAL COST			AMORTISATION				NET BLOCK	
	As at April 1, 2014	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at April 1, 2014	For the year	Deletions/ Adjustments during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Undersea cable capacity	5,533	232	-	5,765	922	484	-	1406	4,359	4,611
System software	4,589	584	-	5,173	4,044	365	-	4409	764	545
License fees	500	230	-	730	238	47	-	285	445	262
Customer and contract related intangibles	1,824	-	-	1,824	1,824	-	-	1,824	-	-
	12,446	**1046**	**-**	**13492**	**7,028**	**896**	**-**	**7,924**	**5,568**	**5,418**

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
3. INVESTMENTS - NON-CURRENT		
Trade Investments - carried at cost (Refer note below)		
Investment in equity instruments - unquoted		
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2015: 15,000) equity shares of ₹ 10 each fully paid up]	2	2
Investment in Sarayu Clean Gen Pvt Ltd [1,56,000 (March 31,2015: l,56,000) equity shares of ₹10 each fully paid up]	15	15
	17	17
Aggregate cost of unquoted investments	17	17
Note: The Group has classified Investments in equity of others - unquoted as at FVTOCI.		
4. TRADE RECEIVABLES - NON-CURRENT		
Long term trade receivables (Unsecured, considered good)	58	144
	58	144
5. OTHER FINANCIAL ASSETS - NON-CURRENT		
Security Deposits	1,739	2,333
Bank deposits*	310	300
	2,049	2,633
* Represents deposits with more than 12 months maturity, subject to lien in favour of banks for obtaining Bank Guarantees /Letter of Credits.		
6. OTHER NON-CURRENT ASSETS		
Capital advances	1,947	2,015
Others:		
Prepaid expenses	3,048	3,276
Lease prepayments	9,094	8,265
Unbilled revenue	84	119
	14,173	13,675
7. INVENTORIES		
Trade inventories	7,414	2,331
	7,414	2,331
8. TRADE RECEIVABLES		
Secured		
Outstanding for a period exceeding six months from due date		
- considered good	2	1
Other debts		
- considered good	3	4
	5	5
Unsecured		
Outstanding for a period exceeding six months from due date		
- considered good	12,046	9,335
- considered doubtful	2,091	2,064
Other debts		
- considered good	42,894	37,327
	57,031	48,726
Less: Allowance for doubtful receivables*	(2,091)	(2,064)
	54,945	46,667

(All amounts are in Indian ₹ lakhs except share data and as stated)

	For the year ended March 31, 2016	For the year ended March 31, 2015
* The activity in allowance for doubtful receivables is given below:		
Balance at the beginning of the year	2,064	1,735
Add: additional provision during the year	1,822	1,990
Less: provision no longer required written back	(13)	-
Less: bad debts written off	(1,782)	(1,661)
Balance at the end of the year	2,091	2,064

	As at March 31, 2016	As at March 31, 2015
9. CASH AND CASH EQUIVALENTS		
(a) Balance with banks		
(i) in current accounts	10,428	7,610
(ii) deposits	2,674	3,630
(b) Other bank balances		
(i) Bank deposits [Refer note below]	3,142	2,189
(ii) Unpaid dividend account	*	*
(c) Cheques on hand	798	1,043
(d) Cash on hand	6	5
	17,048	14,477
*amount is below rounding off norm adopted by the Group		
Note		
(a) Balances in deposit accounts subject to lien in favour of banks for obtaining Bank Guarantees /Letter of Credits	3,142	2,179
Cash and cash equivalents for the purpose of Cash Flow Statement:		
Cash and cash equivalent as per above	17,048	14,477
Less: Bank overdraft [Refer note 18 (d)]	(7,198)	(7,569)
Total	9,850	6,908
10. OTHER FINANCIAL ASSETS		
Security Deposits	997	411
Interest accrued on advances and deposits	115	113
	1,112	524
11. OTHER CURRENT ASSETS		
Advances other than capital advances:		
Others		
Advances recoverable in cash or in kind for value to be received	1,123	1,971
Balances with service tax and sales tax authorities	3,044	2,823
Prepaid expenses	2,203	2,373
Advance tax and tax deducted at source	12,845	7,929
Unbilled revenue	913	1781
Lease prepayments	155	144
(A)	20,283	17,021
Unsecured, considered doubtful		
Advances recoverable in cash or in kind for value to be received		
- to others	1,381	1,442
Less: Provision for advances doubtful of recovery	(1,381)	(1,442)
(B)	-	-
(A) +(B)	20,283	17,021

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
12. EQUITY SHARE CAPITAL		
Authorized		
20,40,00,000 (March 31, 2015: 20,40,00,000) equity shares of ₹10 each [Refer Note (a) below]	20,400	20,400
Issued		
17,85,30,787 (March 31, 2015: 17,85,30,787) equity shares of ₹10 each	17,853	17,853
Subscribed and fully paid		
5,35,30,787 (March 31, 2015: 5,35,30,787) equity shares of ₹10 each fully paid up	5,353	5,353
Subscribed but not fully paid		
12,50,00,000 (March 31, 2015: 12,50,00,000) equity shares of ₹10 each partly paid up [Refer note (d) below]	8,750	8,750
	14,103	14,103
Forfeited shares		
Amount originally paid up on 1,28,23,202 equity shares	128	128
	14,231	14,231

(a) The authorized share capital of the Group was enhanced by an amount of ₹ 1,890 divided into 1,89,00,000 equity shares of ₹ 10 each during the year ended March 31, 2015.

(b) The equity shares are the only class of share capital having a par value of ₹10 per share. Of the above, 3,90,00,135 shares are represented by American Depository Shares ('ADS') issued by the Group in accordance with applicable laws and regulations.

(c) Equity shares carry voting rights proportionate to the paid-up value per share. In the event of liquidation of the company, holders of the equity shares are entitled to be repaid the amounts credited as paid up on those equity shares. All surplus assets after settlement of liabilities as at the commencement of winding-up shall be paid to the holders of equity shares in proportion to their shareholdings. The above payment is subject to the rights of creditors, employees, taxes, if any, and any other sums as may be prescribed under the Companies Act, 2013. Of the above ADS, 1,39,02,860 ADS held by M/s Infinity Capital Ventures LP are not tradable and are restricted.

(d) In 2010-11, the Group approved the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the Group's equity shares at a price of ₹32 per share aggregating to ₹40,000. These shares carry a face value of ₹10. As of June 30, 2015, these shares are partly paid to the extent of ₹7 (March 31, 2015: ₹7) per share. Until the full purchase price is paid by the purchasers, the Group retains a lien on these equity shares. Also refer note D(48).

(e) Of the total outstanding shares,12,50,00,000 shares (March 31, 2015: 12,50,00,000) are held by M/s Ramanand Core Investment Company Private Limited, holding company

(f) Of the total outstanding shares, 2,50,00,000 shares are reserved for issue to eligible employees under Associate Stock Option Plans. Refer note D(39) for activities in Associate Stock Option plan.

12.1 Reconciliation of number of shares in the beginning and at the end of the year

	As at March 31, 2016		As at March 31, 2015	
	Number of shares	Amount paid-up	Number of shares	Amount paid-up
Number of shares outstanding at the beginning of the year	17,85,30,787	14,231	17,85,30,787	14,231
Number of shares outstanding at the end of the year	17,85,30,787	14,231	17,85,30,787	14,231

12.2 Shareholders holding more than 5% of the shares of the Company:

	As at March 31, 2016		As at March 31, 2015	
	Number of Shares held	% holding	Number of Shares held	% holding
Ramanand Core Investment Company Private Limited@	12,50,00,000	70.02%	12,50,00,000	70.02%
Infinity Satcom Universal Private Limited	1,45,30,000	8.14%	1,45,30,000	8.14%
Infinity Capital Ventures, LP	1,39,02,860	7.79%	1,39,02,860	7.79%

@These shares are partly paid-up to the extent of ₹7 per share.
Also refer note D(48).

(All amounts are in Indian ₹ lakhs except share data and as stated)

		As at March 31, 2016	As at March 31, 2015
13. OTHER EQUITY			
13.1. Reserves and surplus			
Securities premium			
Securities premium account balance		71,110	71,110
Closing balance	(A)	71,110	71,110
General reserve			
Opening balance		539	536
Add: Transferred from stock options outstanding account		-	3
Closing balance	(B)	539	539
Retained earnings			
Opening Balance		13,021	10,876
Profit for the year		4,383	3,744
Closing Balance		17,404	14,620
Less: Appropriations:			
Dividend paid		(1,410)	(1,367)
Dividend distribution tax paid		(287)	(232)
	(C)	15,707	13,021
	(D) = (A)+(B)+(C)	87,356	84,670
Less: Accumulated losses dealt with vide scheme of merger (refer note [D (44)]		(27,661)	(27,661)
	(E)	59,695	57,009
13.2 Other components of equity			
Stock option outstanding account			
Balance at the beginning of the year		117	3
Add: Employee stock compensation cost for the year		520	117
Less: Transfer to general reserve in respect of grants lapsed during the year		-	(3)
Closing Balance	(F)	637	117
Exchange differences on translation of foreign operations			
Balance at the beginning of the year		68	27
Add: Additions during the year		134	41
	(G)	202	68
Remeasurement of net defined benefit liability/asset			
Balance at the beginning of the year		210	421
Add: Additions during the year		14	(211)
	(H)	224	210
	(E)+(F)+(G)+(H)	60,758	57,404

Proposed dividend: Dividend proposed to be distributed but not recognised as distribution to owners during the period amounted to ₹ 1,410 (₹ 1 per share) and the dividend distribution tax thereon amounts to ₹ 287.

(All amounts are in Indian ₹ lakhs except share data and as stated)

14. BORROWINGS

14.1. Term Loans

Particulars	As at March 31, 2016	As at March 31, 2015	Security	Interest rate and repayment terms
Secured				
From banks	7,564	4,058	Of total balance of ₹ 9,830 (Previous Year: ₹ 5,192) (Incl current maturities) an amount of ₹ 1,875 (Previous Year: ₹ 2,500) is primarily secured by charge on movable fixed assets funded by term loan and also collaterally secured by extension of equitable mortgage of title deeds of property at Noida in the name of M/s Pace Info Com Park Pvt Ltd (Merged with the Company from 1st April 2014). An amount of ₹ 5,923 (Previous Year: ₹ 2,692) is primarily secured by equitable mortgage of title deeds of property of the company at Rabale at Mumbai and plant and Machinery at Rabale data centre 4th floor and the balance ₹ 2,032 is secured by property at Vashi in Mumbai.	The term loans bear interest rate ranging from 3.5% to 4.5% plus 6 months LIBOR in the case of Foreign currency term loans and 10.85% to 12.00% for others (Previous Year: 12.50% to 13.00%) and repayable in quarterly instalments within a tenor of 3 to 5 years after moratorium periods ranging from 6 months to one year in certain cases
From others	1,573	2,686	These loans are primarily taken from NBFCs and are secured by charge on relevant assets.	The loans bear interest rate ranging from 10.00% to 13.00% (Previous Year: 12.00% to 13.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments from the date of drawal.
Unsecured				
From banks	-	756	These loans are taken from Banks and are secured by 20% margin money representated by fixed deposits.	These loans are foreign currency term loans bearing interest rate of 3.5% plus LIBOR repayable over a period of 24 months in quarterly instalments.
From others	817	719	These loans are primarily taken from NBFCs and are secured by lease of relevant assets and also part amount is secured by financial bank guarantee of 10%.	The loans bear interest rate ranging from 10.00% to 13.00% (Previous Year: 12.00% to 13.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
(A)	9,954	8,219		

14.2. Finance lease obligations

Particulars	As at March 31, 2016	As at March 31, 2015	Security	Interest rate and repayment terms
Long term maturities of finance lease obligations	3,957	6,171	These loans are primarily taken from NBFCs and are secured by lease of relevant assets and also part amount is secured by financial bank guarantee of 10%.	The loans bear interest rate ranging from 10.00% to 13.00% (Previous Year: 12.00% to 13.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
(B)	3,957	6,171		
(A) + (B)	13,911	14,390		

Note:

The current maturities of the above borrowings, carrying the aforesaid security and repayment terms are grouped under other financial liabilities. Refer notes D (20) and D (23) .

(All amounts are in Indian ₹ lakhs except share data and as stated)

		As at March 31, 2016	As at March 31, 2015
The current maturities are as under:			
Secured			
Term loan from banks		2,266	1,134
Loan from others		1,113	1,022
Current maturities of finance lease obligations		5,576	5,568
Unsecured			
Term loan from banks		800	756
Loan from others		2,782	2,810
		12,537	11,290

15. OTHER FINANCIAL LIABILITIES - NON-CURRENT

Security deposits		425	85
Other liabilities		1,626	1,569
		2,051	1,654

16. PROVISIONS

Short-term provisions for employee benefits			
Compensated absences		87	68
	(A)	87	68
Long-term provisions for employee benefits			
Gratuity		562	459
Compensated absences		301	268
	(B)	863	727
	(A) +(B)	950	795

17. OTHER NON-CURRENT LIABILITIES

Unearned revenue		3,815	3,424
		3,815	3,424

18. SHORT TERM BORROWINGS

Loans repayable on demand from banks - Secured			
Working capital facilities [Refer notes (a) to (d) below]		16,754	14,831
Buyers' credit from banks		2,005	172
		18,759	15,003

(a) The above facilities amounting to ₹ 18,759 (Previous Year : ₹ 15,003) bank guarantees and all non-funded facilities availed by the Group are primarily secured by way of pari-passu first charge on the entire current assets of the Group to all working capital bankers under consortium.

(b) In addition to the above, out of these loans repayable on demand from banks:

(i) exposure amounting to ₹ 11,278 (Previous Year : ₹ 8,579) is secured collaterally by way of pari-passu charge on the unencumbered movable fixed assets of the Group, both present and future.

(ii) exposure amounting to ₹ 8,658 (Previous Year : ₹ 7,416) is collaterally secured by way of of equitable mortgage over the properties at Tidel Park, Chennai and Vashi, Vile Parle at Mumbai

(iii) exposure amounting to ₹ 7,480 (Previous Year : ₹ 6,252) is collaterally secured by equitable mortgage over the land and building at Noida, Uttar Pradesh.

(iv) the exposure amounting to ₹ 1,541 (Previous Year : ₹ 986) is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

(c) These working capital facilities bear interest ranging from 3.25% (Plus LIBOR) to 12.00% p.a. (Previous year: 11.5% to 12.25%) and these facilities are subject to renew annually.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
(d) Working capital facilities comprises of following:		
Bank overdraft	7,198	7,569
Other working capital facilities	9,556	7,262
	16,754	14,831
19. TRADE PAYABLES		
Towards purchase of goods and services	37,664	26,376
Other payables	2,863	2,535
	40,527	28,911
20. OTHER FINANCIAL LIABILITIES		
Capital creditors	2,051	1,523
Current maturities of long term debt**	3,066	1,890
Current maturities of other loans**	3,895	3,832
Current maturities of finance lease obligations**	5,576	5,568
Interest accrued but not due on borrowings	161	183
Deposits from customers	773	778
Other payables	259	322
Unpaid dividend*	*	*
	15,781	14,096

*amount is below the rounding off norm adopted by the Group

**Also refer notes D(14)

21. OTHER CURRENT LIABILITIES		
Advances received from customers	1,526	1,571
Statutory payables	1,272	1,255
Unearned income	10,970	9,157
Other payables	1,799	981
	15,567	12,964

22. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

(i) Claims against the Group not acknowledged as debts include demands from Indian Income Tax authorities for payment of tax amounting to ₹ 1,136 (Previous year - ₹ 1,136).

(ii) Contingencies due to certain Service Tax claims as at March 31, 2016 amounted to ₹ 5,052 (Previous year - ₹ 5,020).

(iii) Contingencies due to certain Sales Tax claims as at March 31, 2016 amounted to ₹ 138 (Previous year - ₹ 135).

The Group is subject to legal proceedings and claims which are arising in the ordinary course of business. The management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have material and adverse effect on the Group's results of operations or financial conditions.

(b) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for	5,582	3,300

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015

(c) Other commitments

(i) Export obligation under EPCG : Effective 2012-13, the Group has participated in the Export Promotion Capital Goods Scheme ("the scheme") under which capital equipments are permitted to be imported against a specific licence at a substantially reduced customs duty, subject to fulfilment of obligation to export services rendered by use of capital equipment imported under the scheme to the extent of over 6 times the value of duty saved over a period of 6 years from the date of obtaining the licence. In case of failure to meet the export obligation, the Group would be liable to pay the difference between the normal duty and the duty saved under the scheme along with interest.

As of March 31, 2016, the Group is holding 31 (Previous year : 30) licenses with a corresponding export obligation of ₹18,373 (Previous year : ₹ 10,653). Considering the track record of the exports, the Group believes it would be able to meet the export obligation within the time frame and would not be exposed to any liability on account of the above scheme.

Notes:

(a) Refer note D (43) (a) (i) and (b) in respect of contingencies arising on legal proceedings.
(b) Refer note D [(23) (a) and (b)] for lease commitments.

23. LEASE COMMITMENTS

a. The Group has taken vehicles and certain portion of plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2016 and as of March 31, 2015 are as follows:

	As at March 31, 2016	As at March 31, 2015
Payable not later than one year	6,359	6,739
Payable later than one year and not later than five years	4,392	6,718
Total	10,751	13,457
Less: Amounts representing interest	(1,218)	(1,718)
Present value of minimum lease payments:	9,533	11,739
i) Payable not later than one year [disclosed under other financial liabilities - refer note D(20)]	5,576	5,568
ii) Payable later than one year and not later than five years [disclosed under borrowings - refer note D(14)]	3,957	6,171

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

	As at March 31, 2016	As at March 31, 2015
Payable not later than one year	996	996
Payable later than one year and not later than five years	4,620	4,357
Payable later than five years	6,403	7,661
Total	12,019	13,014

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015
c. The Group has given plant and machinery under operating lease arrangements to its customers the period of which are generally up to 5 years. The schedule of minimum lease rental incomes in respect of these operating lease arrangements are given below:		
Receivables not later than one year	2,649	2,000
Receivables later than one year and not later than five years	1,558	3,000
	4,207	5,000

		Year ended March 31, 2016	Year ended March 31, 2015
24. REVENUE FROM OPERATIONS			
Sale of Services*		1,40,986	1,20,674
Sale of Products		9,363	7,969
		1,50,349	1,28,643

*includes lease income amounting to ₹ 3,915 (Previous year- ₹ 2,857)

*refer note D(31) for revenue arising from construction contracts.

25. OTHER INCOME			
Interest income			
From banks		280	318
Others		174	297
Other non-operating income			
Profit on sale of Property, Plant and Equipment (Net)		16	40
Deposits/advances no longer payable, written back		-	416
Provisions for doubtful debts no longer required, written back		16	-
Provisions for expenses no longer required, written back		499	-
Rental income		473	190
Miscellaneous income		61	324
		1,519	1,585
26. COST OF GOODS SOLD AND SERVICES RENDERED			
Cost of hardware and software sold			
Opening inventory		2,331	2,008
Add: Purchases		13,235	7,729
Less: Closing inventory		(7,414)	(2,331)
	(A)	8,152	7,406
Cost of services rendered			
Networking costs		54,505	43,967
Other direct costs		15,794	15,157
Power expenses		7,750	6,440
	(B)	78,049	65,564
	(A) + (B)	86,201	72,970

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2016	Year ended March 31, 2015
27. EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	17,518	14,675
Contribution to provident fund and other funds*	989	826
Staff welfare expenses	167	181
Employee stock compensation expense [Refer note D(39)]	520	117
	19,194	15,799

*Also refer note D (36)

	Year ended March 31, 2016	Year ended March 31, 2015
28. FINANCE COSTS		
Interest expense	3,737	3,857
Other borrowing costs (including letters of credit and bill discounting charges)	1,263	1005
Net loss on foreign currency transactions	657	269
	5,657	5,131
29. OTHER EXPENSES		
Commission expenses	589	407
Communication expenses	365	296
Rent	4,147	3,862
Rates and taxes	687	726
Travelling expenses	1,547	1,222
Power and fuel expenses	1,077	1,001
Legal and professional	1,078	1,161
Payment to auditors		
- Audit fees	32	27
- Others	22	20
Repairs and maintenance expenses		
- Plant and machinery	1,447	1,867
- Buildings	447	477
- Others	2,055	2,078
Insurance	389	305
Outsourced manpower costs	2,226	1,954
Advertisement, selling and marketing expenses	1,016	702
Loss on foreign exchange fluctuation (net)	62	34
Provision for doubtful advances	-	616
Contribution towards Corporate Social Responsibility [Refer note D(49)]	53	2
Provision for bad and doubtful debts (including bad debts written off of ₹ 1,782 (Previous Year: ₹ 1,661)	1,822	1,990
Miscellaneous expenses	1,393	1,116
	20,454	19,863

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note	April 1, 2014	March 31, 2015
30. FIRST TIME ADOPTION OF IND AS			
(i) Reconciliation of equity from Previous GAAP to Ind AS is as follows:			
Equity as per previous GAAP		68,411	70,351
Ind AS adjustments			
1) Reversal of proposed dividend	D [30(a)]	1,599	98
2) Amortisation of lease prepayments	D [30(b)]	(257)	(50)
3) Interest income on security deposits	D [30(b)]	147	38
4) Significant financing component in trade receivables	D [30(c)]	(357)	66
Ind AS adjustments on transition date			1,132
Equity as per Ind AS		69,543	71,635
(ii) Reconciliation of net profit for the year ended 31st March 2015			
Net profit as per previous GAAP			3,580
1) Amortisation of lease prepayments	D [30(b)]		(50)
2) Interest income on security deposits	D [30(b)]		38
3) Significant financing component in trade receivables	D [30(c)]		66
4) Fair valuation of ASOP	D [30(d)]		(58)
5) Gain/loss on remeasurement of defined benefit plans	D [30(e)]		211
6) Exchange differences on translation of foreign operations	D [30(g)]		(41)
Net profit after Ind AS adjustments			3,746
Less: Corporate social responsibility expenses adjusted earlier against retained earnings now charged to the Consolidated Statement of profit and loss			(2)
Net profit as per Ind AS			3,744

	Note	As per Ind AS	As per Previous GAAP	Increase/ (decrease)
(iii) Reconciliation of material items of Balance Sheet as per Ind AS with Previous GAAP as at April 1, 2014				
Assets				
Property, Plant and Equipment	D [30(b)]	45,751	53,759	(8,008)
Lease prepayments (current and non current)	D [30(b)]	8,555	-	8,555
Security deposits (current and non-current)	D [30(b)]	2778	3,378	(600)
Liabilities				
Provisions (current and non-current)	D [30(a)]	387	1,986	(1,599)
(iv) Reconciliation of material items of Balance Sheet as per Ind AS with Previous GAAP as at March 31, 2015				
Assets				
Property, Plant and Equipment	D [30(b)]	49,547	57,462	(7,915)
Liabilities				
Provisions (current and non-current)	D [30(a)]	795	2,492	(1,697)

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note	As per Ind AS	As per Previous GAAP	Increase/ (decrease)
(v) Reconciliation of material items of Statement of Cash Flows for the year ended March 31, 2015 as per Ind AS with Previous GAAP				
Cash generated from operations	D [30(b)] and D [30(e)]	13,762	14,146	(384)
Net cash used in investing activities	D [30(b)]	(8,167)	(8,290)	123
Net cash used in financing activities	D [30(f)]	(4,972)	(3,737)	(1,235)
Cash and cash equivalents at the beginning of the year	D [30(f)]	6,328	12,701	(6,373)
Cash and cash equivalents at the end of the year	D [30(f)]	6,908	14,777	(7,869)

Notes:

a. Reversal of proposed dividend

Under previous GAAP, proposed dividend is recognised as a liability in the period to which it relates. Under Ind AS, dividend is adjusted directly in Equity in the period in which it is paid irrespective of the period to which it relates. Accordingly, an amount of ₹ 1,599 towards dividend (including dividend distribution tax) recognised as liability in financial year 2013-14 as per Previous GAAP has been reversed and the same is adjusted in Equity in the year 2014-15 as paid. During the year 2014-15, ₹ 1,697 recognised towards proposed dividend (including dividend distribution tax) as per previous GAAP has been reversed and the same is adjusted in Equity in the year 2015-16 as paid.

b. Lease prepayments

(i) The company has given refundable security deposits as part of the lease agreements amounting to ₹ 931. The same have been measured at transaction price as per Previous GAAP. However, as per Ind AS, security deposits should be measured at fair value on initial recognition. The initial fair value is estimated as the present value of the refundable amount of security deposits, discounted using the market interest rates for similar instruments. The difference between nominal amount and fair value of refundable deposits is classified as lease prepayments.

Subsequent to initial recognition, the security deposits are measured at amortized cost using the effective interest method with the carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognized as interest income. The lease prepayment is amortized on a straight line basis over the lease term as lease rental expense.

The details of refundable deposits classified as lease prepayments are as follows:

Total refundable deposits	931
Less: fair value of deposits on transaction date	(184)
Difference to be classified as lease prepayments on transaction date	747
Refundable deposits classified as lease prepayments	747
Less: Amortisations till April 1, 2014 adjusted in retained earnings	(257)
Unamortised lease prepayments as on April 1, 2014	490
Unrecognised interest income on refundable deposits on transaction date	(747)
Add: interest income upto date of transaction recognised in retained earnings	147
Unrecognised interest income on refundable deposits on the date of transition	(600)

(All amounts are in Indian ₹ lakhs except share data and as stated)

(ii) Lease prepayments made for leasehold land were classified as Leasehold land under previous GAAP. However, under Ind AS, payments made for lease hold land should be classified as lease prepayments under operating lease and the same should be amortized over the lease term. Accordingly, lease prepayments as on April 1, 2014 are classified from Property, Plant and Equipment into lease prepayments as follows:

Current	107
Non - current	7,901
	8,008

As at April 1, 2014, an amount of ₹ 57 paid towards advance lease rental disclosed as prepaid expenses as per Previous GAAP, is now disclosed as lease prepayments. Lease prepayments had been classified under cash flow from investing activities as per Previous GAAP, but as per Ind AS it is classified under cash flow from operating activities and ₹124 towards interest income on account of fair valuation of security deposits and long term receivables has been considered as financing activities.

(iii) During the year 2014-15, lease prepayments amounting to ₹ 50 have been amortised as rent and ₹ 38 has been recognised as interest income on deposits in respect of lease prepayments referred above.

c. Significant financing component in trade receivables

(i) As per the Previous GAAP revenue is recognised at gross amount of receivables even if significant financing component exists. However under Ind AS, revenue having significant financing component is recognised at fair value of receivables and consequently corresponding trade receivables are carried at amortised cost. The difference between the transaction price and fair value is treated as imputed interest and unwound as interest income throughout the period of the contract. As on April 1, 2014 an amount of ₹ 357 is adjusted against retained earnings and trade and other receivables which is net difference between amortised cost on the date of transition and transaction price of the trade receivables, as disclosed below:

Particulars	Current	Non-current	Total
Trade Receivables	28	96	124
Other financial assets	58	175	233
	86	271	357

(ii) During the year 2014-15 an amount of ₹ 86 has been unwounded as interest on trade and other receivables. Also, ₹ 20 relating to significant financing component for revenue recognised during the year has been adjusted against revenue and trade receivables for the period.

d. Fair valuation of ASOP

As per the previous GAAP, in respect of stock options granted pursuant to the Group's stock option schemes, the intrinsic value of the options (excess of market price of the share on the grant date over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the options. As per Ind AS fair value of options on grant date is recognised as employee benefit expense, with a corresponding increase in equity, over the period in which the options are vested. An additional expense of ₹ 58 has been recognised in the financial statements for the year ended March 31, 2015.

e. Gain/loss on remeasurement of defined benefit plans

As per previous GAAP, gains and losses on remeasurement of net defined benefit liability/asset are recognised in Statement of profit and loss , whereas as per Ind AS the same shall be recognised in other comprehensive income by accumulating in a separate component of equity. Accumulated gains on remeasurement of net defined benefit liability amounting to ₹ 421 as on April 1, 2014 have been transferred from retained earnings to a separate component of equity. An amount ₹ 211 has been recognised as loss on remeasurement of defined benefit plans for the year ended March 31, 2015. The cash flow from operating activities for the year ended March 31, 2015 is reduced to that extent.

(All amounts are in Indian ₹ lakhs except share data and as stated)

f. Cash and cash equivalents

As per Previous GAAP, cash and cash equivalents for the purpose of Statement of Cash Flows comprises of cash and bank balances and deposits with bank. As per Ind AS, the same comprises of cash and bank balances, deposits with bank and bank overdraft. Refer note D (9) for cash and cash equivalents.

g. Exchange differences on translation of foreign operations

As per Previous GAAP gain or losses arising on account of translation of assets and liabilities of integral foreign operations were recognised in Statement of profit and loss. As per Ind AS, the same shall be recognised in other comprehensive income by accumulating in separate component of equity. As at April 1, 2014, an amount ₹ 27 towards gains arising on foreign translation of foreign operations is being transferred from retained earnings to Foreign currency translation reserve. During the year ended March 31, 2015, an amount of ₹ 41 towards gain on translation of foreign currency operations is classified from Statement of profit and loss to other comprehensive income.

	Year ended March 31, 2016	Year ended March 31, 2015
31. CONSTRUCTION CONTRACTS IN PROGRESS		
Contract revenue recognised for the year	219	1,294
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date – Contracts in progress	483	1,014
Retention money	-	-
Gross amount due from customers for contract work presented as an asset	483	1,268

32. DEFERRED TAX ASSETS AND LIABILITIES

The tax effects of significant temporary differences that resulted in deferred tax assets and a description of the items that created these differences is given below :

Recognised deferred tax assets/liabilities

	Year ended March 31, 2016	Year ended March 31, 2015
Deferred Tax assets		
Property, plant and equipment	2,374	1,537
	2,374	1,537
Deferred Tax liabilities		
Intangible assets	(1,152)	(1,016)
Finance lease obligations	(1,222)	(521)
	(2,374)	(1,537)
Net deferred tax asset / liability recognised in Balance Sheet	-	-

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Group will realize the benefits of those recognized deductible differences. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Movement in temporary differences during current and previous year

	Property, Plant and Equipment	Intangible assets	Tax loss carry forwards	Finance lease obligations
Balance as at April 1, 2014	(641)	(758)	1,399	-
Recognised in income statement	2,178	(258)	(1,399)	(521)
Recognised in Equity	-	-	-	-
Balance as at March 31, 2015	1,537	(1,016)	-	(521)
Recognised in income statement	837	(136)	-	(701)
Recognised in Equity	-	-	-	-
Balance as at March 31, 2016	2,374	(1,152)	-	(1,222)

	As at March 31, 2016	As at March 31, 2015
Unrecognised deferred tax asset		
Deductible temporary differences	2,315	2,955
Unrecognised tax losses	26,818	35,578
	29,133	38,533

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognized in respect of tax losses carried forward by the Group. The above tax losses expire at various dates.

	As at March 31, 2016	As at March 31, 2015
Income tax expense recognized in profit or loss		
Current tax expense/ (reversal)	(1)	1
Deferred tax expense	-	-
Origination and reversal of Temporary difference	-	1,399
Reversal of previously recognised losses	-	(1,399)
	(1)	1

Reconciliation of effective tax rates

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

	As at March 31, 2016	As at March 31, 2015
Profit before income taxes	4,382	3,745
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense/(benefit)	1,517	1,296
Effect of :		
Share based payment expenses not deductible for tax purposes	87	20
Unrecognised deferred tax asset on losses incurred during the year	165	132
Unrecognised deferred tax asset/liabilities on temporary differences	(181)	137
Difference on account of differential tax rates in different jurisdictions	(1)	(10)
Expenses/income not taxable	(28)	(92)
Recognition of previously unrecognized tax losses	(1,560)	(1,482)
	(1)	1

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2016	Year ended March 31, 2015
33 PAYMENTS TO DIRECTORS		
(other than managing director and executive director)		
Sitting fees	20	19
Consultancy fees	2	2

34. RECONCILIATION OF EQUITY SHARES IN COMPUTING WEIGHTED AVERAGE NUMBER OF EQUITY SHARES

	Year ended March 31, 2016	Year ended March 31, 2015
(a) Weighted average number of shares - Basic		
Issued fully paid up ordinary shares as on April 1,	5,35,30,787	5,35,30,787
Effect of shares issued on exercise of stock options	-	-
Effect of partly paid shares (Refer note below)	8,75,00,000	8,75,00,000
Weighted average number of equity shares outstanding	14,10,30,787	14,10,30,787

Note: During the year 2010-11, 12,50,00,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2016, these shares were partly paid up to the extent of ₹ 7 (March 31, 2015 - ₹7) per share. Refer note D(48).

	Year ended March 31, 2016	Year ended March 31, 2015
(b) Weighted average number of shares - Diluted		
Weighted average number of equity shares outstanding	14,10,30,787	14,10,30,787
Dilutive impact of associated stock options	3,64,559	1,25,101
Weighted average number of equity shares for diluted earnings per share	14,13,95,346	14,11,55,888

(All amounts are in Indian ₹ lakhs except share data and as stated)

35. FOREIGN CURRENCY EXPOSURE

The details of foreign currency exposure as at March 31, 2016 are as follows:

Particulars	As at March 31, 2016		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalent	USD	43	2,852
Debtors	GBP	1	122
	USD	124	8,225
	CHF	*	8
	EUR	2	129
			8,484
Amounts payable in foreign currency on account of:			
Creditors	EUR	1	84
	CAD	*	1
	USD	74	4,909
	DHS	*	7
	GBP	*	16
	CHF	*	*
			5,017
Foreign Currency Term Loan	USD	**101**	**6,724**
Foreign Currency Demand Loan	USD	**144**	**9,556**

The details of foreign currency exposure as at March 31, 2015 are as follows:

Particulars	As at March 31, 2015		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalents	USD	55	3442
Debtors	GBP	2	166
	USD	117	7,282
	SGD	*	*
	CAD	*	*
	EUR	1	55
			7,503
Amounts payable in foreign currency on account of:			
Creditors	EUR	*	8
	USD	67	4,192
	HKD	*	2
	GBP	*	2
	CHF	*	2
			4,206
Foreign Currency Term Loan	USD	**24**	**1,512**
Foreign Currency Demand Loan	USD	**116**	**7,263**

**amount is below the rounding off norm adopted by the Group

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2016	Year ended March 31, 2015
36. EMPLOYEE BENEFITS		
Reconciliation of opening and closing balances of the present value of the defined benefit obligation (Gratuity)		
Projected benefit obligation at the beginning of the year	790	534
Service cost	162	121
Interest cost	62	43
Remeasurement (gain)/losses	(13)	178
Benefits paid	(83)	(86)
Projected benefit obligation at the end of the year	918	790
Change in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	331	406
Interest income	26	33
Employer contributions	81	11
Benefits paid	(83)	(86)
Return on plan assets, excluding amount recognised in net interest expense	1	(33)
Fair value of plan assets at the end of the year	356	331
Amount recognised in the Consolidated Balance Sheet		
Present value of projected benefit obligation at the end of the year	918	790
Fair value of plan assets at the end of the year	(356)	(331)
Funded status amount of liability recognised in the Balance Sheet	562	459
Expense recognised in the Consolidated Statement of Profit and Loss		
Service cost	162	121
Interest cost	62	43
Interest income	(26)	(33)
Net gratuity costs	198	131
Actual return on plan assets	26	33
Summary of actuarial assumptions		
Discount rate	7.50% p.a.	7.80% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.
Average future working life time	4.40 years	4.90 years

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

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

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

Contributions: The Group expects to contribute ₹ 200 to its gratuity fund during the year ending March 31, 2017

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2016	As at March 31, 2015

The expected cash flows over the next few years are as follows:

Year	Amount
1 year	171
2 to 5 years	576
6 to 10 years	379
More than 10 years	251

Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2016 and March 31, 2015, by asset category is as follows:

	March 31, 2016	March 31, 2015
Funds managed by insurers	100%	100%

Remeasurement of the net defined benefit liability recognised in other comprehensive income

Amount recognised in other comprehensive income for the years ending March 31, 2016 and March 31, 2015 are as follows:

Remesurement (gain) /loss arising from		
- change in demographic assumptions	-	-
- change in financial assumptions	13	-
- experience variance	(26)	178
- return on plan assets, excluding amount recognised in net interest expense/income	(1)	33
	(14)	211

Sensitivity analysis of significant actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis is given below:

	March 31 2016		March 31 2015	
	Decrease	Increase	Decrease	Increase
Discount rate (-/+ 1%)	962	878	807	774
(% change compared to base due to sensitivity)	4.8%	-4.4%	2.2%	-2.1%
Salary Growth rate (-/+ 1%)	880	957	773	808
(% change compared to base due to sensitivity)	-4.10%	4.30%	-2.2%	2.3%

(All amounts are in Indian ₹ lakhs except share data and as stated)

37. SEGMENT REPORTING

The Group's operating segments are as follows:

Telecom Services	Domestic Data, International Data and Wholesale Voice
Data Centre Services	Co-location services
Cloud and Managed Services	IT infra services, IT transformation Services, Remote and Onsite Infrastructure Management services and Delivery platforms.
Applications Integration Services	Application Development and Maintenance, Application testing, Mobility solutions, eLearning, Portal services, Tools, Process and Automation.
Technology Integration Services	Data Centre Build, Network Integration, Information security, End User computing and Collaborative Tools consisting of Audio and Video conferencing solutions.

Telecom services: The telecom services consist of network services addressing the domestic connectivity needs of Indian enterprises and international inward and outward connectivity needs of International Enterprises. The services include a comprehensive range of Internet protocol based Virtual Private Network, offerings, including intranet, extranet and remote access applications to both small and large corporate customers. The Group provides MPLS-enabled IPVPN's through entire network. The Group also provides last mile connectivity to customers.

The cable landing station and investment in submarine cable consortium are other assets extended to International partners for international inward and outward connectivity needs. The cable landing station currently lands 2 major submarine cables; namely Gulf Bridge International (GBI) and the Middle Eastern and North African cable (MENA)

Data center services: The Group operates 6 Tier III Data centers of which three are located in Mumbai (Bombay), one each at Noida (Delhi), Chennai (Madras) and Bengaluru, to host mission-critical applications. The Group offers co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent 'secure cages' at the hosting facility as per their application requirements. It also offers 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 under this business line.

Cloud and managed services: On-demand hosting (cloud) services offer end-customers with the solutions to Enterprises. The Group offers on-demand cloud services giving companies the option to "pay as you go" basis.

The Remote and Onsite Infrastructure Management services provide management and support of customer operating systems, applications and database layers.

Technology integration services: The services under this segment consists of Data Centre Build, Network Integration, Information security and End User computing.

Applications integration services: The wide range of web-applications include sales force automation, supply chain management, intranet and extranet, workflow engine and knowledge management systems.

Applications integration services operates the online portals, such as www.sify.com, www.samachar.com, that function as principal entry points and gateway for accessing the Internet by providing useful web-related services and links. The Group also offers related content sites worldwide.

Sify.com provides a gateway to the Internet by offering communication and search tools such as e-mail, chat, travel, online portfolio management and channels for personal finance, astrology, lifestyle, shopping, movies, sports and news.

The Group also offers 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. It provides messaging and collaboration services and solutions such as e-mail servers, LAN mail

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solutions, anti-spam appliances, bulk mail services, instant messaging, and also offer solutions and services to enable data and access security over the Internet, 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. On-line exam engine offered allows a secure and flexible way of conducting examinations involving a wide range of question patterns.

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

Bandwidth costs, which form a significant part of the total expenses, are of three kinds – international, domestic and last mile. These are allocated primarily to the Telecom services.

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

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

The Group's operating segment information for the year ended March 31, 2016 is presented below:

Particulars	Telecom Services	Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total (A)+(B)+ (C)+(D)+ (E)
	(A)	(B)	(C)	(D)	(E)	
Revenue from operations	95,493	15,229	9,412	20,387	9,828	150,349
Operating expenses	(73,420)	(11,653)	(7,670)	(15,477)	(8,716)	(116,936)
Segment operating income / (loss)	22,073	3,576	1,742	4,910	1,112	33,413
Unallocable expenses						(8,851)
Operating income						24,562
Other income						1,065
Foreign exchange gain / (loss), net						(62)
Profit / (loss) before interest, depreciation, tax and exceptional items						25,565
Interest income / (expenses), net						(5,203)
Depreciation, amortisation and impairment						(15,980)
Profit before exceptional items and taxation						**4,382**
Exceptional item						
Tax (expense)/ recovery						**1**
Net profit after taxes						**4,383**

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Group's operating segment information for the year ended March 31, 2015 is presented below:

Particulars	Telecom Services	Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total (A)+(B)+ (C)+(D)+ (E)
	(A)	(B)	(C)	(D)	(E)	
Revenue from operations	84,629	12,768	6,218	14,648	10,380	128,643
Operating expenses	(62,631)	(11,279)	(5,042)	(14,317)	(7,925)	(101,194)
Segment operating income / (loss)	21,998	1,489	1,176	331	2,455	27,449
Unallocable expenses						(7,404)
Operating income						20,045
Other income						970
Foreign exchange gain / (loss), net						(34)
Profit / (loss) before interest, depreciation, tax and exceptional items						20,981
Interest income / (expenses), net						(4,516)
Depreciation, amortisation and impairment						(12,720)
Profit before exceptional items and taxation						**3,745**
Exceptional item						-
Tax (expense)/ recovery						**(1)**
Net profit after taxes						**3,744**

Geographical segments

The Group has two geographic segments India and rest of the world. Revenues from the geographic segments based on domicile of the customer are as follows:

Description	India	Rest of the world	Total
Revenues			
Year ended March 31, 2016	98,604	51,745	150,349
Year ended March 31, 2015	85,632	43,011	128,643

The Group does not disclose information relating to non-current assets located in India and rest of the world as the necessary information is not available and the cost to develop it would be excessive.

The revenue from transactions with a single external customer did not exceed 10% of the total revenue of the Group for each of the two years ended March 31, 2016.

38 RELATED PARTY TRANSACTIONS

a) **Related parties**

The related parties where control / significant influence exists are subsidiaries and associates. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director whether executive or otherwise. Key management personnel includes the board of directors and other senior management

(All amounts are in Indian ₹ lakhs except share data and as stated)

executives. The other related parties are those with whom the Group has had transaction during the years ended March 31, 2016 and 2015 are as follows:

Particulars	Related Parties	Country of Incorporation	% of ownership interest
Holding companies	Infinity Satcom Universal Private Limited.	India	-
	Raju Vegesna Infotech and Industries Private Limited (subsidiary of Infinity Satcom Universal Private Limited)	India	-
	Ramanand Core Investment Company Private Limited (subsidiary of Raju Vegesna Infotech and Industries Private Limited)	India	-
Subsidiaries	Sify Technologies (Singapore) Pte. Limited	Singapore	100%
	Sify Technologies North America Corporation	USA	100%

(b) Related party transactions and balances

Following is a summary of related party transactions for the year ended March 31, 2016:

Transactions	Holding Company	Others	Key Management personnel
Consultancy services received	-	-	2
Sitting fees paid	-	-	20
Salaries and other short term benefits*	-	-	526
Contributions to defined contribution plans*	-	-	15
Share based payment transactions*	-	-	142
Lease rentals paid**	10	39	-
Dividend paid	1,020	145	-
Amount of outstanding balances			
Advance lease rentals and refundable deposits made**	-	26	-
Lease rentals payable**	-	3	-

The following is the summary of the related party transactions for the year ended 31st March 2015

Transactions	Holding Company	Others	Key Management personnel
Consultancy services received	-	-	2
Sitting fees paid	-	-	19
Salaries and other short term benefits*	-	-	523
Contributions to defined contribution plans*	-	-	13
Share based payment transactions*	-	-	38
Lease rentals paid**	9	39	-
Dividend paid	977	145	-
Amount of outstanding balances			
Advance lease rentals and refundable deposits made**	-	26	-
Lease rentals payable**	1	-	-

**During the year 2011-12, the Group had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 0.75 (Rupees Seventy Five Thousand Only) per

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month. Subsequently, the Group entered into an amendment agreement with effect from April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three year.

During the year ended March 31, 2012, the Group had also entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman and Managing director of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 0.30 (Rupees Thirty Thousand Only) per month. Subsequently, the Group entered into an amendment agreement with effect from April 1, 2013, providing for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three year.

During the year 2010-11, the Group had entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Ananda Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of ₹3 per month and payment of refundable security deposit of ₹26. This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

*Represents salaries and other benefits of Key Management Personnel comprising of Mr. Kamal Nath - CEO (Sify Technologies Limited), Mr. M P Vijay Kumar - CFO, Mr. C R Rao - COO, and Mr. Ravi Shelvankar - CEO (Sify Technologies North America Corporation).

39. ASSOCIATE STOCK OPTION PLAN

The Group had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005, ASOP 2007 and ASOP 2014. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by the management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007 as at March 31, 2016. The plan details of ASOP 2014 are as follows:

(i) ASOP 2014

During July 2014, the shareholders of the Group approved a new scheme for allotment of shares to employees i.e. Associate Stock Option Plan 2014. 2,50,00,000 shares are reserved for this plan. Consequently 58,70,800 options were granted to the employees on January 20, 2015. During the current year the Group has granted additional 1,84,300 options to newly joined employees.

The options vest in the following manner :

No of Options	Vesting Pattern
43,04,600	3/5th of the options vest at the end of one year from the date of grant. The remaining 2/5th vests at the end of every half year during second and third years from the date of grant in 4 equal instalments
4,87,700	2/5th of the options vest at the end of one year from the date of grant. The remaining 3/5th vests at the end of every half year during second, third and fourth years in 6 equal instalments
12,62,800	2/5th of the options vest at the end of two years from the date of grant. The remaining 3/5th vests at the end of every half year during third, fourth and fifth years in 6 equal instalments.

(All amounts are in Indian ₹ lakhs except share data and as stated)

The following table summarises the transactions of stock options under ASOP 2007 and 2014:

No. of options granted, exercised and forfeited	For the year ended	
	March 31, 2016	March 31, 2015
Outstanding at the beginning of the year	5,870,800	30,000
Granted during the year	184,300	5,870,800
Forfeited during the year	(3,89,300)	-
Expired during the year	-	(30,000)
Exercised during the year	-	-
Outstanding at the end of the year	5,665,800	5,870,800
Vested and exercisable at the end of the year	2,544,180	-
Weighted average exercise price in ₹	79.10	79.10
Remaining contractual period	2.81-5.81 years	3.81 - 5.81 years

The fair value of stock options granted has been measured using the Black Scholes model at the date of the grant. The Black Scholes model includes assumptions regarding dividend yields, expected volatility, expected term (or "option life") and risk free interest rates. In respect of the options granted, the expected term is estimated based on the vesting term, contractual term as well as expected exercise behavior of the employees receiving the option. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Group's publicly traded equity shares. Share prices for the year 2011-12 have been eliminated in determining volatility as there had been extra ordinary price movements during the said period on account of capital infusion by promoters. Dividend yield of the options is based on the recent dividend activity. Risk-free interest rates are based on the Government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside the Group's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in the future periods, stock compensation expense could be materially impacted in future years.

The estimated fair value of stock options is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

A summary of information about fixed price stock options outstanding with respect to ASOP 2014 as at March 31, 2016 is furnished below:

	Range of exercise price in ₹	Number outstanding at March 31, 2016	Weighted average exercise price in ₹	Weighted average remaining contractual life
ASOP 2014	79.10	56,65,800	79.10	2.81-5.81 years

(All amounts are in Indian ₹ lakhs except share data and as stated)

The assumptions used in Black Scholes model to arrive at the fair value on grant date are summarised below:

Assumptions	
Current market price	87.88
Exercise price	79.10
Expected term	3.81 – 5.81 years
Volatility	52.02% - 61.96%
Dividend yield	10%
Discount rate	3%

40. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

i. Forward and option contracts

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. These derivative contracts are initially recognized at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognized immediately in profit or loss. The counterparties for these contracts are generally banks or financial institutions. The details of outstanding forward contracts as at March 31, 2016 and March 31, 2015 are given below:

Particulars	Currency	As at March 31, 2016	As at March 31, 2015
Forward contracts (Sell)	USD	30	-
(Gain) / loss on mark to market in respect of forward contracts outstanding	INR	(54)	-

The Group recognized a net gain on the forward contracts of ₹ 2 (Previous Year : ₹ 61) for the year ended March 31, 2016.

The forward exchange contracts and option contracts mature between one and twelve months. The table below summarizes the notional amounts of derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As at March 31, 2016	As at March 31, 2015
	(USD)	(USD)
Not later than one month	5	-
Later than one month and not later than three months	10	-
Later than three months and not later than six months	15	-
Later than six months and not later than one year	-	-

(All amounts are in Indian ₹ lakhs except share data and as stated)

ii. Cross Currency Swap:

The Group has entered into a Cross Currency Swap (Principal Only Swap arrangement) in order to hedge the cash flows arising out of the Principal and Interest payments of the underlying INR term loan. The period of the swap contract is co terminus with the period of the underlying term loan. As per the terms of the arrangement, the Group shall pay USD fixed and receive fixed INR principal and interest cash flows during the term of the contract. The swap arrangement is marked to market at the end of every period and losses are recognised in the Statement of Profit and Loss. The details of the outstanding balances and the mark to market losses recognised during the year are as under:

Particulars	Value of the outstanding INR term loan	Value of the outstanding USD principal	Mark to Market losses
Tranch 1	470	USD 8	46
Tranch 2	787	USD 13	20
Tranch 3	618	USD 10	33
Tranch 4	195	USD 3	7
Tranch 5	361	USD 6	13
Tranch 6	470	USD 7	24
Tranch 7	1287	USD 20	60
Tranch 8	426	USD 7	18
Tranch 9	373	USD 6	13
Tranch 10	91	USD 1	3
Tranch 11	397	USD 6	12
Total	**5,475**	**USD 87**	**249**

The details of the outstanding balances and the losses recognised during the year ended 31 March 2015 are as under:

Particulars	Value of the outstanding INR term loan	Value of the outstanding USD principal	Mark to Market losses
Tranch 1	627	USD 10	19
Tranch 2	1,050	USD 17	44
Tranch 3	824	USD 13	20
Total	**2,501**	**USD 40**	**83**

The maturity of these contracts extends till five years. The table below summarizes the cash flows (principal and interest) of these derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As at March 31, 2016		As at March 31, 2015	
	Payable (USD)	Receivable (INR)	Payable (USD)	Receivable (INR)
Less than 1 year	49	3,338	11	794
One to two years	31	2,030	10	730
Two to three years	9	587	10	667
Three to four years	6	399	9	603
Four to five years	-	-	8	540
Total cash flows	95	6,354	**48**	**3,334**

The Group recognized a net loss on the cross currency swaps of ₹ 104 (Previous year : ₹ 2) for the year ended March 31, 2016.

(All amounts are in Indian ₹ lakhs except share data and as stated)

iii. Interest rate swap:

During the current year, the Group has entered into Interest Rate Swaps in order to hedge the cash flows arising out of the Interest payments of the underlying USD term loan . The period of the swap contract is co terminus with the period of the underlying term loan. As per the terms of the arrangement, the Company shall pay fixed rate of interest (ranging from 6.3% to 6.5%) and receive variable rate of interest equal to LIBOR + fixed rate (ranging from LIBOR + 3.5% to LIBOR + 4.5%) on notional amount. The swap arrangement is marked to market at the end of every period and losses are recognised in the Statement of Profit and Loss.

The maturity of these contracts extends till five years. The table below summarizes the cash flows (interest) of these derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As at March 31, 2016		As at March 31, 2015	
	Payable (USD)	Receivable (USD)	Payable (USD)	Receivable (USD)
Less than 1 year	4	6	-	-
One to two years	3	4	-	-
Two to three years	2	2	-	-
Three to four years	1	1	-	-
Four to five years	*	*	-	-
Total cash flows	10	13	-	-

* Amount below rounding off norm adopted by the Group

Total notional amount outstanding as on March 31 2016 is USD 100 (Previous Year: Nil)

The Group recognized a net loss on the interest rate swaps of ₹ 385 (includes mark to market loss of ₹ 287) (Previous year : Nil) during the year ended March 31, 2016.

b. Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Financial assets/ liabilities at amortised costs	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTOCI	Total carrying value	Total fair value
Assets					
Investments	-	-	17	17	17
Trade receivables	55,003	-	-	55,003	55,003
Cash and cash equivalents	17,048	-	-	17,048	17,048
Other financial assets	3,161	-	-	3,161	3,161
Liabilities					
Borrowings from banks	22,191	-	-	22,191	22,191
Borrowings from others	6,285	-	-	6,285	6,285
Bank overdraft	7,198	-	-	7,198	7,198
Finance lease liabilities	9,533	-	-	9,533	9,533
Trade payables	39,962	-	-	39,962	39,962
Other financial liabilities	5,295	-	-	5,295	5,295
Derivative financial instruments	-	565	-	565	565

(All amounts are in Indian ₹ lakhs except share data and as stated)

The carrying value and fair value of financial instruments by each category as at March 31, 2015 were as follows:

Particulars	Financial assets/ liabilities at amortised costs	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTOCI	Total carrying value	Total fair value
Assets					
Investments	-	-	17	17	17
Trade receivables	46,811	-	-	46,811	46,811
Cash and cash equivalents	14,477	-	-	14,477	14,477
Other financial assets	3,157	-	-	3,157	3,157
Liabilities					
Borrowings from banks	14,138	-	-	14,138	14,138
Borrowings from others	7,237	-	-	7,237	7,237
Bank overdraft	7,569	-	-	7,569	7,569
Finance lease liabilities	11,739	-	-	11,739	11,739
Trade payables	28,828	-	-	28,828	28,828
Other financial liabilities	4,460	-	-	4,460	4,460
Derivative financial instruments	-	83	-	83	83

Details of financial assets pledged as collateral

The carrying amount of financial assets as at March 31, 2016 and 2015 that the Group has provided as collateral for obtaining borrowing and other facilities from the bankers are as follows:

Trade receivables	54,337	46,674
Cash and cash equivalents	14,519	11,785
Other financial assets	3,142	3,292
	71,998	61,751

c. Fair value measurements:

The details of assets and liabilities that are measured on fair value on recurring basis are given below:

	Fair value as of March 31, 2016			Fair value as of March 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivative financial assets – gain on outstanding option/forward contracts	-	54	-	-	-	-
Liabilities						
Derivative financial liabilities - loss on outstanding cross currency swaps	-	-	(332)	-	-	(83)
Derivative financial liabilities - loss on outstanding interest rate swaps	-	-	(287)	-	-	-

(All amounts are in Indian ₹ lakhs except share data and as stated)

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – unobservable inputs for the asset or liability

d. **Interest income/(expenses), gains/(losses) recognized on financial assets and liabilities**

	For the year ended	
	March 31, 2016	March 31, 2015
(a) Financial assets at amortised cost		
Interest income on bank deposits	280	318
Interest income on other financial assets	143	123
Impairment on trade receivables	(1,822)	(1,990)
(b) Financial assets at fair value through profit or loss (FVTPL)		
Net gains/(losses) on fair valuation of derivative financial instruments	(482)	(83)
(d) Financial liabilities at amortised cost		
Interest expenses on lease obligations	(1,264)	(1,543)
Interest expenses on borrowings from banks, others and overdrafts	(3,130)	(2,583)

41. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established a risk management policy to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed periodically to reflect changes in market conditions and the Group's activities. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the risk management framework. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk: Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables, treasury operations and other activities that are in the nature of leases.

Trade and other receivables: The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group is not exposed to concentration of credit risk to any one single customer since the services are provided to and products are sold to customers who are spread over a vast spectrum and hence, the concentration of risk with respect to trade receivables is low. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of the customers to which the Group grants credit terms in the normal course of the business.

Cash and cash equivalents and other investments: In the area of treasury operations, the Group is presently exposed to counter-party risks relating to short term and medium term deposits placed with public-sector banks, and also to investments made in mutual funds.

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Chief Financial Officer is responsible for monitoring the counterparty credit risk, and has been vested with the authority to seek Board's approval to hedge such risks in case of need.

Exposure to credit risk: The gross carrying amount of financial assets, net of any impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2016 and 2015 was as follows:

	As at March 31, 2016	As at March 31, 2015
Trade investments	17	17
Trade receivables	55,003	46,811
Cash and cash equivalents	17,048	14,477
Other financial assets	3,161	3,157
	75,229	64,462

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired other than trade receivables. The age analysis of trade receivables have been considered from the date of invoice. The ageing of trade receivables, net of allowances that are past due, is given below:

	March 31, 2016	March 31, 2015
Period (in days)		
Past due 181 - 270 days	6,699	4,554
Past due 271 - 365 days	3,050	2,223
More than 365 days	7,042	5,470
	16,791	12,247

See note D (8) for the activity in the allowance for impairment of trade account receivables.

Financial assets that are neither past due nor impaired

Cash and cash equivalents, finance lease receivables, other assets and receivables are neither past due nor impaired. The total trade receivables that are not past due as at March 31, 2016 amounts to ₹ 38,212 (March 31, 2015: ₹ 34,564) and impairment has not been recorded on the same.

Details of collateral and other credit enhancements held

	March 31, 2016	March 31, 2015
Security deposits received for internet access services	5	5

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, servicing of financial obligations. In addition, the Group has concluded arrangements with well reputed Banks, and has unused lines of credit that could be drawn upon should there be a need. The Group is also in the process of negotiating additional facilities with Banks for funding its requirements.

(All amounts are in Indian ₹ lakhs except share data and as stated)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at March 31, 2016

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	22,191	23,584	15,269	5,751	2,564
Borrowings from others	6,285	7,015	4,405	2,580	30
Bank overdraft	7,198	7,198	7,198	-	-
Finance lease liabilities	9,533	10,751	6,359	3,647	745
Trade payables	39,962	39,962	39,962	-	-
Other financial liabilities	5,295	5,295	5,295	-	-
	90,464	93,805	78,488	11,978	3,339

As at March 31, 2015

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	14,138	15,728	9,924	3,804	2,000
Borrowings from others	7,237	8,441	4,516	3,351	574
Bank overdraft	7,569	7,569	7,569	-	-
Finance lease liabilities	11,739	13,457	6,739	6,718	-
Trade payables	28,828	28,828	28,828	-	-
Other financial liabilities	4,460	4,460	4,460	-	-
	73,971	78,483	62,036	13,873	2,574

Market risk:

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. The Group is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and the market value of its investments. Thus the Group's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Currency risk:

The Group's exposure in US$, Euro and other foreign currency denominated transactions gives rise to Exchange rate fluctuation risk. Group's policy in this regard incorporates:

- Forecasting inflows and outflows denominated in US$ for a twelve-month period
- Estimating the net-exposure in foreign currency, in terms of timing and amount.
- Determining the extent to which exposure should be protected through one or more risk-mitigating instruments to maintain the permissible limits of uncovered exposures.
- Carrying out a variance analysis between estimate and actual on an ongoing basis, and taking stop-loss action when the adverse movements breaches the 5% barrier of deviation, subject to review by Audit Committee.

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Group's exposure to foreign currency risk as at March 31, 2016 was as follows:

All amounts in respective currencies as mentioned:

	Cash and cash equivalents	Trade receivables	Trade payables	Foreign currency demand loan	Net Balance Sheet exposure
USD	43	124	(74)	(245)	(152)
EUR	-	2	(1)	-	1
GBP	-	1	-	-	1

The Company's exposure to foreign currency risk as at March 31, 2015 was as follows:

	Cash and cash equivalents	Trade receivables	Trade payables	Foreign currency loans	Net Balance Sheet exposure
USD	55	117	(67)	(140)	(35)
EUR	-	1	-	-	1
GBP	-	2	-	-	2

A 10% strengthening of the rupee against the respective currencies as at March 31, 2016 and 2015 would have increased / (decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	Other comprehensive income	Profit/(loss)
March 31, 2016	-	991
March 31, 2015	-	202

A 10% weakening of the rupee against the above currencies as at March 31, 2016 and 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk:

Interest rate risk is the risk that an upward movement in interest rates would adversely affect the borrowing costs of the Group.

Profile

At the reporting date the interest rate profile of the Group's interest -bearing financial instruments were as follows:

	Carrying amount	
	March 31, 2016	March 31, 2015
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	6,126	6,119
Financial liabilities		
- Borrowings from banks	2,005	172
- Borrowings from others	6,285	7,237
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	20,186	13,966
- Bank overdrafts	7,198	7,569

(All amounts are in Indian ₹ lakhs except share data and as stated)

Fair value sensitivity for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis has been performed on the same basis for 2015.

	Equity	Profit or (loss)
March 31, 2016	-	(261)
March 31, 2015	-	(228)

A decrease of 100 basis points in the interest rates at the reporting date would have had equal but opposite effect on the amounts shown above, on the basis that all other variable remain constant.

42. CAPITAL MANAGEMENT

The Group's capital comprises equity share capital, share premium, retained earnings and other equity attributable to equity holders. The primary objective of Group's capital management is to maximise shareholders value. The Group manages its capital and makes adjustment to it in light of the changes in economic and market conditions. The Group does so by adjusting dividend paid to shareholders. The total capital as on March 31, 2016 is ₹ 74,989 (Previous Year: ₹ 71,635).

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises of long term and short term borrowings less cash and bank balances. Equity includes equity share capital and reserves that are managed as capital. The gearing at the end of the reporting period was as follows:

		As at March 31, 2016	As at March 31, 2015
Debt		45,207	40,683
Less: cash and bank balances		(17,048)	(14,477)
Net debt	A	28,159	26,206
Equity	B	74,989	71,635
Net debt to Equity ratio	A/B	38%	37%

No changes were made in the objectives, policies or processes for managing capital of the Group during the current and previous year.

43. LEGAL PROCEEDINGS

a) **Proceedings before Department of Telecommunications**

(i) License fees

On October 12, 2009 and February 26, 2010, the Department of Telecommunications ('DOT') raised a demand on the Group for ₹140 and ₹ 260 respectively towards license fee on income other than income from activities that require license from DOT. The said demands were attributable to income from Internet Service provider (ISP) license and national long distance (NLD) services respectively. The licensed activities are those activities that require license from DOT.

The aforesaid demands made by DOT were based on the premise that all amounts of income (whether direct or indirect) including items such as other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets and provision no longer required written back were directly related

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to telecom operations of the Group and arise in connection with the Telecom business of the Group and such items need to be considered as part of 'income' for the purpose of calculation of the license fee. Accordingly, DOT considered such items as part of income for the purpose of calculating license fee on AGR (aggregated gross revenue)

The Group and other service providers through their Association of Unified Telecom Service Providers (AUTSPI) approached Telecom Disputes Settlement and Appellate Tribunal ('TDSAT') and challenged DOT's demand seeking inclusion of the aforesaid items as part of 'income' . TDSAT passed an order in favour of service providers. The order was subsequently challenged by DOT in Supreme Court of India which set aside the TDSAT order to the effect that DOT has per se authority to define AGR. However the Supreme Court through its supplementary order allowed the service providers to approach TDSAT on the issue of demands made by DOT and also held that matter should be settled as per law. AUTSPI approached TDSAT on the demands raised by DOT. TRAI recommended to DOT to charge License fees only on licensed activities. The Group had approached Honourable High Court of Madras (Court) in 2013 by filing a writ petition prohibiting Department of Telecommunications (DOT) from levying a license fee on non-licensed activities. In an earlier writ petition filed by the Group in 2012, the Court restrained DOT from recovering the license fee in respect of non- telecom activities. Based on the said order passed by the Court, an interim order was passed by the Court restraining DOT from recovering license fee in respect of non- telecom activities for the writ petition filed in 2013. The Tribunal by its order dated April 23, 2015 held that revenue from sale of scrap, treasury income etc are to be included as part of AGR. The Tribunal has also passed an order asking DoT to levy at most a nominal amount as token penalty with interest if permissible at the lower rates. The Group believes that adequate legal defences against these orders and that the ultimate outcome of these actions will not have a material adverse effect on the Group's financial position and result of operations.

(ii) The present licence for ISP under Unified License issued by DOT on June 2, 2014 provides for payment of Licence fee on pure internet services. However, the Group through Internet Service Providers Association of India (ISPAI) challenged the said clause before TDSAT. TDSAT passed a stay order on DOT from charging the Licence fee on pure internet services.

b) The Group is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2016, the Group believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect (the maximum financial exposure would be ₹197 (March 31, 2015: ₹ 251)) on the Group's financial position and results of operations.

44. ADJUSTMENT TO THE SECURITIES PREMIUM ACCOUNT

The Group had an accumulated loss of ₹ 19,783 as on March 31, 2013. Consequent to scheme of amalgamation of two subsidiary companies, the accumulated loss stood at ₹ 27,661. As part of the said scheme of amalgamation, it was proposed to set off the accumulates losses of the Group and subsidiaries with the Securities Premium account of the Group. Accordingly the debit balance in the "Profit and Loss Statement as on the Appointed Date is ₹27,661 representing the losses carried forward by the Group and the two subsidiaries (the Transferor Companies). The details of loss incurred/profit earned by the Transferee Company over the last five years prior to the scheme are given below:

Year ended	**Amount ₹** Profit/(Loss)
Profit/(Loss) for the year ending	
31.3.2008	(2,155)
31.3.2009	(17,666)
31.3.2010	3,603
31.3.2011	(5,423)
31.3.2012	(2,400)
31.3.2013	(3,620)
Total accumulated loss as on March 31, 2013	**(27,661)**

(All amounts are in Indian ₹ lakhs except share data and as stated)

Hence, the debit balance in the "Profit and Loss Statement" as on the Appointed Date to an extent of ₹ 27,661 representing the accumulated losses of the Group as on April 1, 2013 is adjusted against the sum of ₹ 69,004 standing to the credit of Securities Premium Account of the Group on the said date. On such adjustment, the Securities Premium Account of the Group shall stand reduced collectively by a sum of ₹ 27,661, leaving a credit balance of ₹ 41,343.

45. EUROPE INDIA GATEWAY

TThe Group has entered into a contract with Emirates Integrated Telecom ('the Emirates') for the construction and supply of undersea cable capacity from the Europe India Gateway. As per the contract with Emirates, the Group is required to pay its share of decommissioning costs, if any, that may arise in the future. No provision has been made by the Group for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2016. The capacity under the mentioned facility would be upgraded over a period of time.

46. IPO LISTING

The Ministry of Finance of the Government of India ('MoF') issued a press release dated March 31, 2006, making amendments to the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993' ('the Scheme'). The amendments included a statement that unlisted Companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of May 22, 1998 and are not making profit, be permitted to comply with listing condition on the domestic stock exchanges within three years of having started making profit. Further, the press release states that no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges. Securities and Exchange Board of India (SEBI) has amended the (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2012 on October 12, 2012. In terms of the amended Clause 26 (1) (b), in order to be eligible to go for the Initial Public Offer, the Company should have a minimum average pre-tax operating profit of ₹ 150 calculated on a restated and consolidated basis, during the three most profitable years out of the immediately 5 preceding years.

This is in addition to the other clauses viz. it has a track record of distributable profits in terms of Section 123 of the Companies Act, 2013, for at least three out of the immediately preceding five years; provided that extraordinary items shall not be considered for calculating distributable profits, for being eligible to go for the IPO.

Hence the Company would not be able to raise funds by issuing ADRs until such time the Company complies with the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993' and lists in the domestic stock exchanges as per the above press release.

47. DUES TO MICRO AND SMALL ENTERPRISES

The Group has not received any memorandum (as required to be filed by the supplier with the notified authorities under Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as Micro, Small or Medium Enterprises. Accordingly the amount paid/ payable to these parties is considered to be nil.

48. ISSUE OF SHARES TO THE PROMOTER GROUP

On August 4, 2010, the Board of Directors of the Group proposed the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the company's equity shares, par value ₹ 10 per share ("Equity shares"), for an aggregate purchase price of ₹ 40,000, to a group of investors affiliated with the Group's promoter, including entities affiliated with Mr Raju Vegesna, the Group's Chairman and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative of the acquirers in connection with the offering. Accordingly, the company issued 12,50,00,000 equity shares to Raju Vegesna Infotech and Industries Private Limited, a company affiliated

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with the promoter group on October 30, 2010. The above shares were subsequently transferred by Raju Vegesna Infotech & Industries Private Limited to Ramanand Core Investment Company Private Limited.

As of March 31, 2016, the Group has called-up and received a sum of ₹7 per share. The remaining amount of the purchase price will be called up at such time as determined by the Group. Until the full purchase price is paid by the purchasers, the Group retains a lien on the equity shares purchased in connection with the Offering.

49. CONTRIBUTION TOWARDS CORPORATE SOCIAL RESPONSIBILITY

Section 135 of the Companies Act, 2013, requires the Group to spend towards Corporate Social Responsibility (CSR). The Group is expected to spend ₹ 52 towards CSR in compliance of this requirement. A sum of ₹ 53 has been spent during the current year towards CSR activities as per details given below. The balance amount to be spent is Nil.

Organisation	Amount ₹
Venkateswara Institute of Research and Rehabilitation for the Disabled Trust, Dwarakha, Tirumala	45
District Institute of Education and Training, Angaluru	5
ICT Academy of Tamilnadu	2
Special Children Sports Academy	1
Book Donations to District Institute of Education and Training, Angaluru	*
Total	**53**

* Amount below rounding off norm adopted by the Group

50. ADDITIONAL DISCLOSURE AS PER PART III OF SCHEDULE III TO COMPANIES ACT 2013

Name of the entity	Net assets i.e. total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income (OCI)		Share in total comprehensive income (TCI)	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
Parent (Sify Technologies Ltd)	101%	75,720	111%	4,856	9%	14	107%	4,870
Foreign subsidiaries Sify Technologies (Singapore) Pte Limited	*	(67)	-1%	(42)	-4%	(6)	-1%	(48)
Sify Technologies North America Corporation	-1%	(664)	-10%	(431)	95%	140	-6%	(291)

* Below rounding off norm adopted by the Group

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No: 009571N/N500006

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No: 028738

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
April 22, 2016

M P Vijay Kumar
Chief Financial Officer

Suresh Balakrishnan
Company Secretary

sify

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