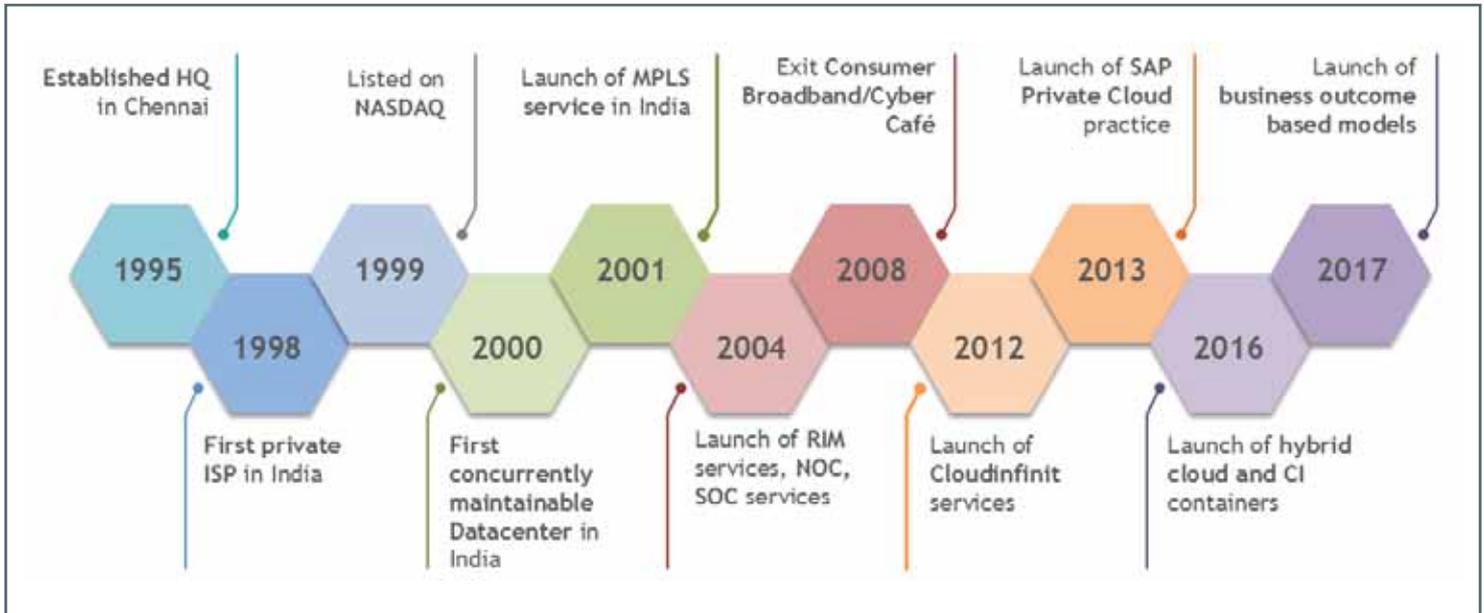


sify[®]

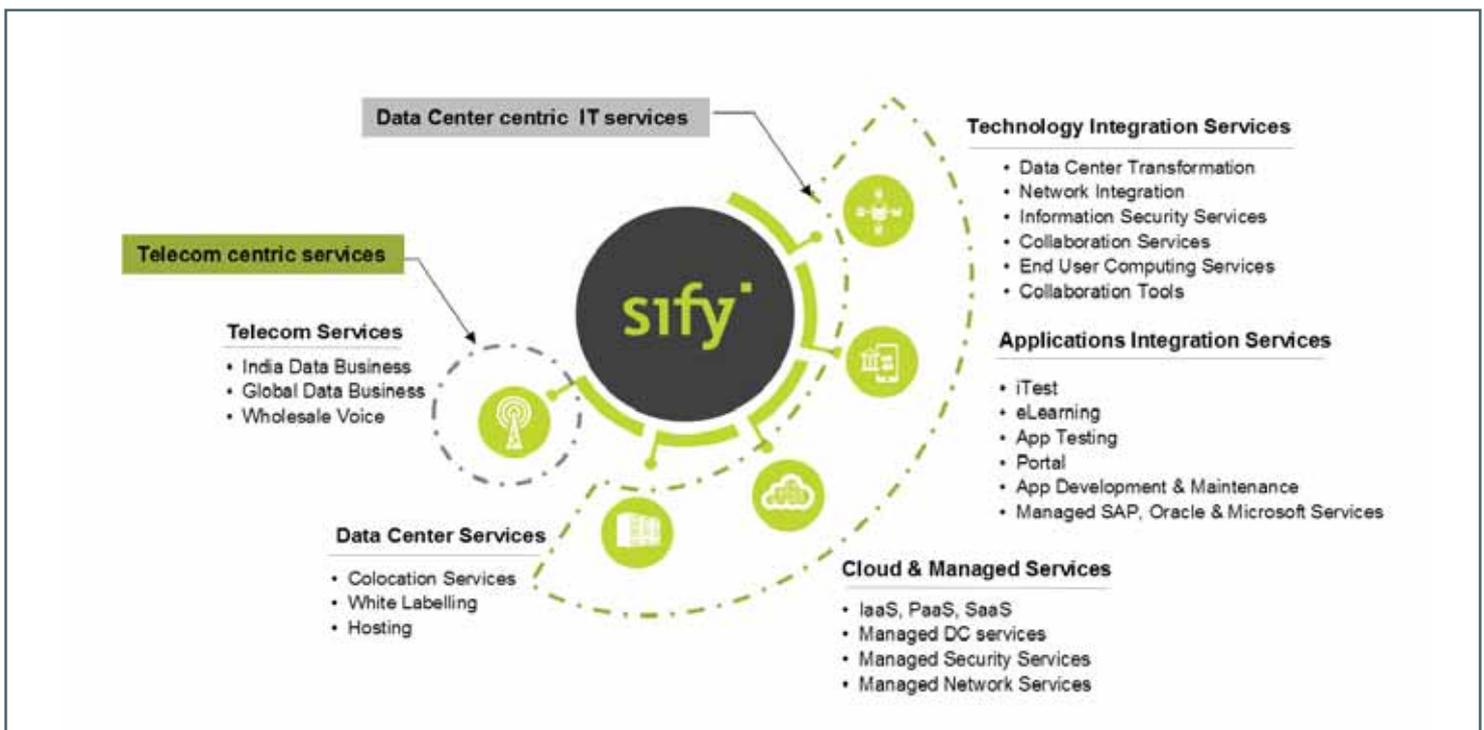
annual report
2018

digital transformation partner

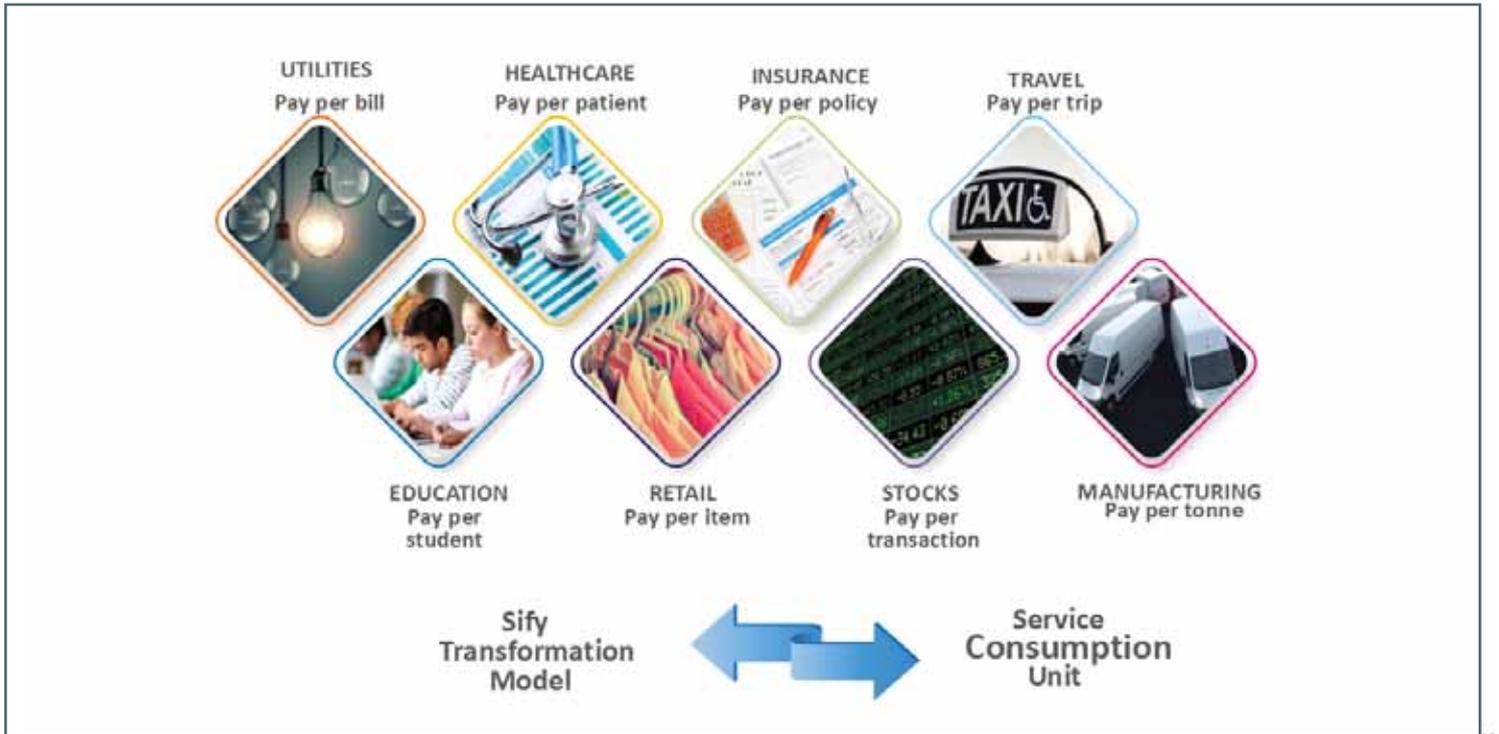
driving technology disruption from inception



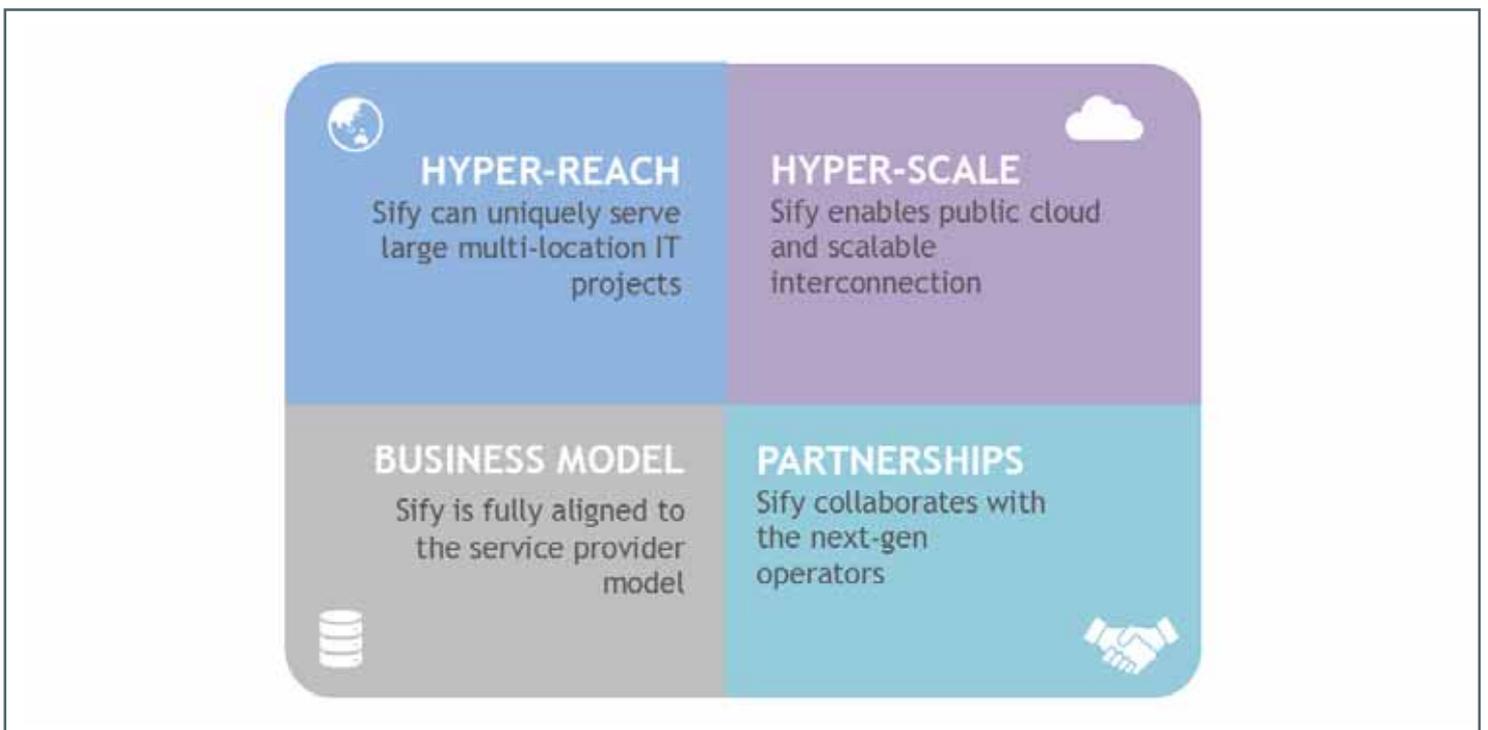
a balanced portfolio of services...



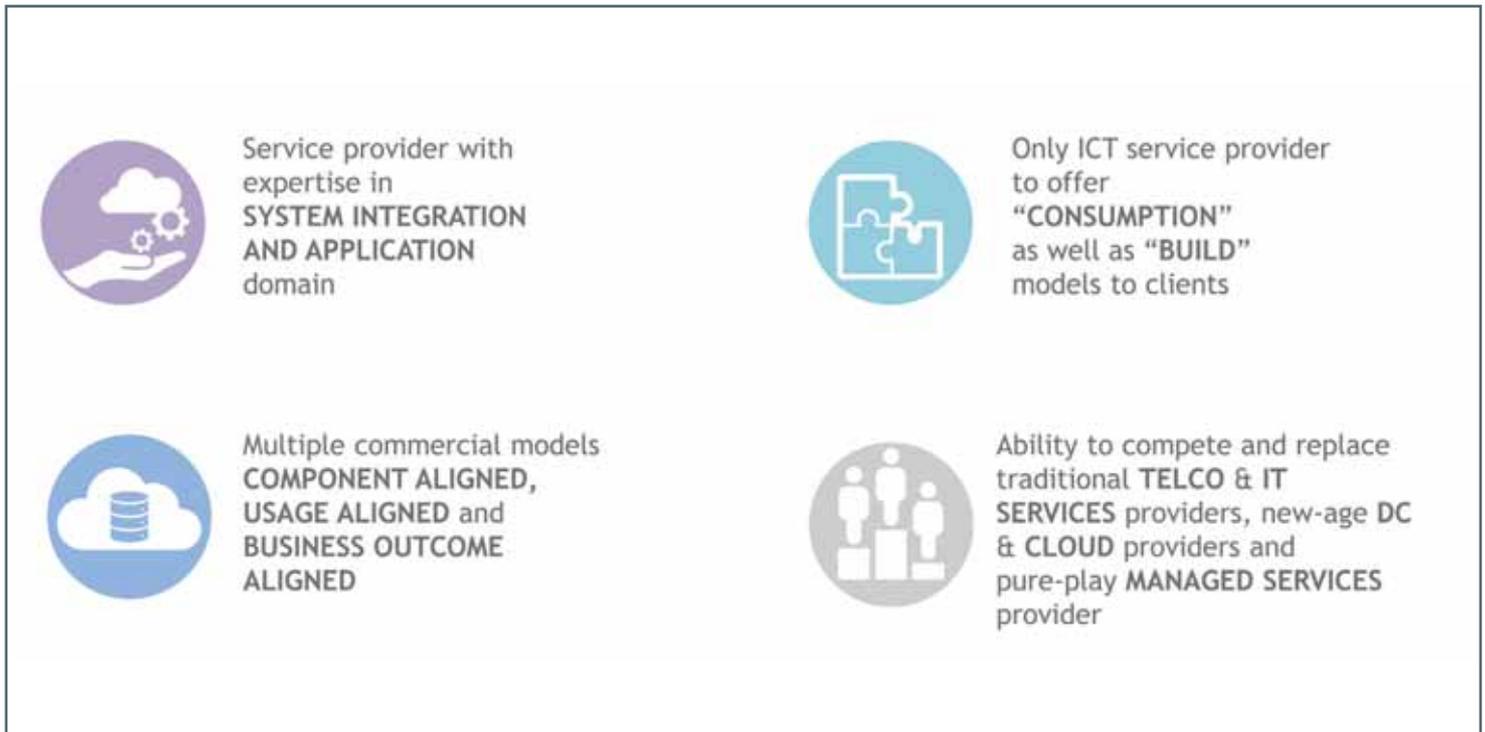
...aligned to the customers' digital journey



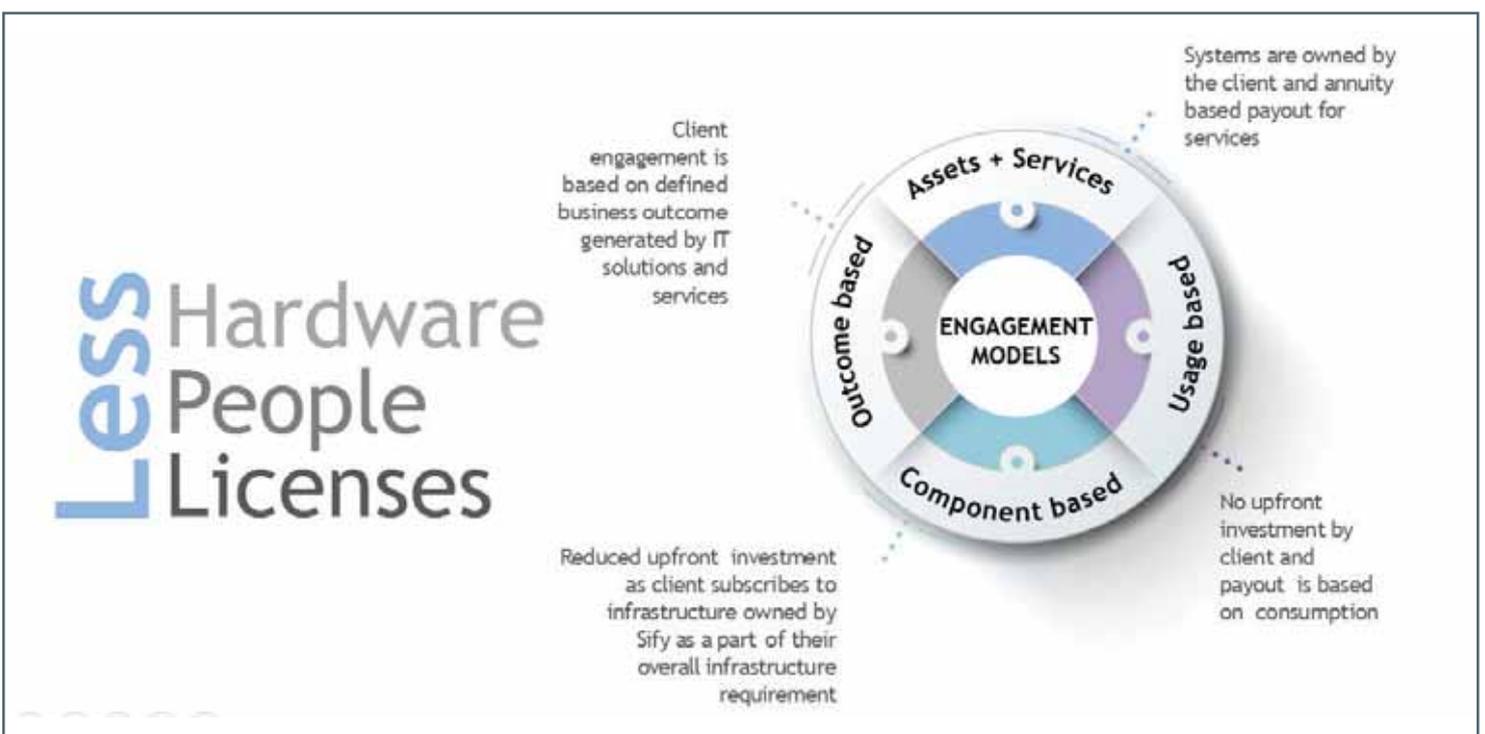
unique propositions for digital transformation



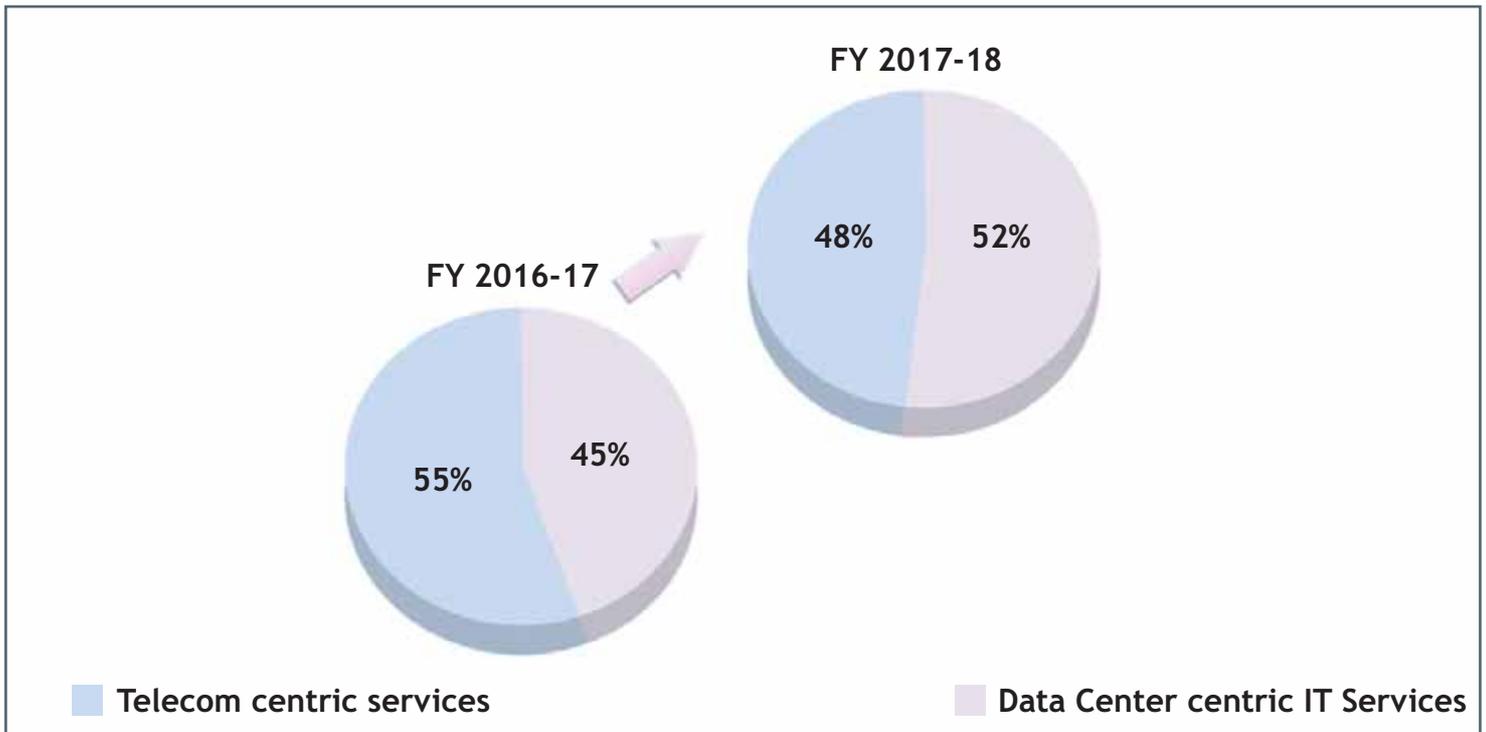
customer perception of Sify



engagement models



revenue contribution from the businesses



strategic partnerships

Technology Partners	
Cloud and Acceleration Partners	
Application Partners	
Security Partners	

We have now been elevated to
CHALLENGERS QUADRANT
 in 2017 **GARTNER MQ**
 for Managed Hybrid Cloud Hosting, Asia/Pacific



summary of consolidated financials

(INR LAKHS)

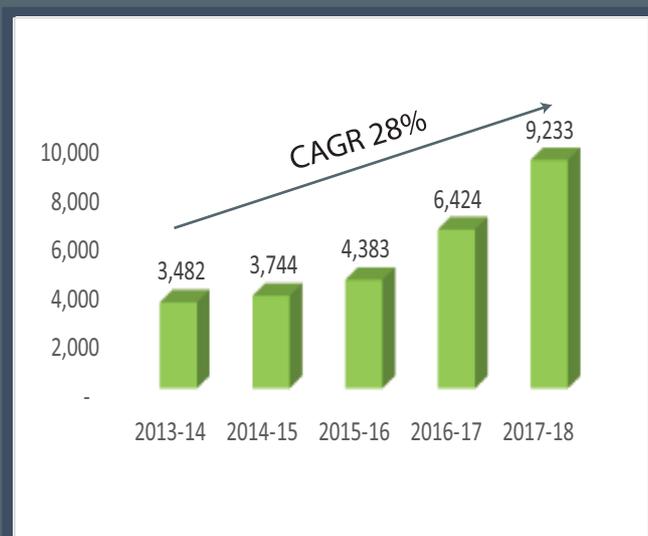
revenue



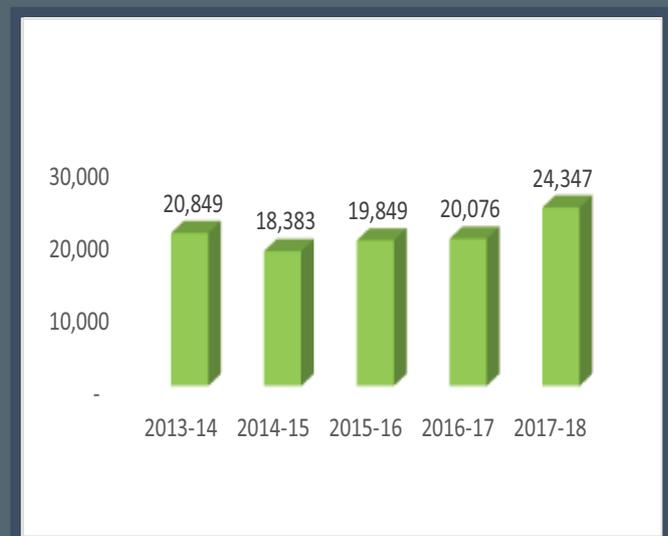
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Board of Directors

Sify Technologies Limited

Raju Vegesna

Chairman & Managing Director

Ananda Raju Vegesna

Executive Director

T H Chowdary

C B Mouli

Vegesna Bala Saraswathi

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

V Ramanujan

Company Secretary

Statutory Auditors

ASA & Associates LLP

Chartered Accountants

Chennai

Internal Auditors

Yoganandh & Ram LLP

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,

The Board of Directors of Your Company hereby presents the report of business and operations together with the audited financial statements of Your Company for the Financial Year ended March 31, 2018. The consolidated performance of the company and its subsidiaries are referred to wherever required.

1. FINANCIAL INFORMATION

₹ in lakhs

Details	Financial Highlights			
	Separate Financial Statements		Consolidated Financial Statements	
	2017-18	2016-17	2017-18	2016-17
Income from operations	1,97,448	1,77,927	2,06,856	1,84,320
Other Income	3,116	2,652	3,190	2,686
Profit Before Interest, Tax, Depreciation and Amortization (PBITDA)	30,511	26,933	30,475	27,188
Depreciation and Amortization	17,519	17,565	17,545	17,588
Interest expense (Net)	3,760	3,198	3,695	3,169
Profit before Tax	9,232	6,170	9,235	6,431
Profit after Tax	9,232	6,170	9,233	6,424

Separate Financial Statements

During the year under review, Your Company registered revenue from operations of ₹ 1,97,448 lakhs as against ₹ 1,77,927 lakhs in the previous year, a growth of 11%. The PBITDA for the year was ₹ 30,511 lakhs as compared to ₹ 26,933 lakhs in the previous year, a growth of 13%. The Profit for the year was ₹ 9,232 lakhs compared to ₹ 6,170 lakhs in the previous year, a growth of 50%.

Consolidated Financial Statements

During the year under review, Your Company registered consolidated revenue from operations of ₹ 2,06,856 lakhs as against ₹ 1,84,320 lakhs in the previous year, a growth of 12%. The PBITDA for the year was ₹ 30,475 lakhs as compared to ₹ 27,188 lakhs in the previous year, a growth of 12%. The Profit for the year was ₹ 9,233 lakhs compared to ₹ 6,424 lakhs in the previous year, a growth of 43%.

1.1 Financial information of the Subsidiaries

In accordance with Section 129(3) of the Companies Act, 2013, Your Company has prepared the consolidated Financial Statements of the Company. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed Form AOC-1 is provided as **Annexure 1** to this Report. The statement also provides the details of performance and financial position of each of the subsidiaries. A brief of the performance of the subsidiaries is as follows:

Sify Technologies (Singapore) Pte. Ltd, Singapore

During the year under review, the Company reported revenue of ₹ 6,781 lakhs as compared to ₹ 3,510 lakhs in the previous year. The profit was ₹ 18 lakhs as compared to ₹ 74 lakhs in the previous year.

Sify Technologies North America Corporation, USA

During the year under review, the Company reported revenue of ₹ 4,504 lakhs as compared to ₹ 4,389 lakhs in the previous year. The profit was ₹ 29 lakhs as compared to ₹ 180 lakhs in the previous year.

Sify Data and Managed Services Limited

Sify Data and Managed Services Limited is yet to commence its operations. Hence, no revenue has been reported since incorporation i.e. from March 16, 2017 to March 31, 2018.

Sify Infinit Spaces Limited

Your Company has incorporated a wholly-owned subsidiary viz, Sify Infinit Spaces Limited on November 20, 2017. The subsidiary is yet to commence its commercial operations and hence no revenue was reported. As per Section 2 (41) of the Companies Act, 2013, the subsidiary's first financial year shall be the period ending March 31, 2018.

Your Company has made an investment of ₹ 500 Lakhs in this Subsidiary in the form of Equity shares.

1.2. Dividend

Based on the Company's performance, your Directors are pleased to recommend for approval of the members a dividend of ₹ 1.20 per Paid-up Equity Share of ₹ 10 each for the year 2017-18 (for 2016-17 ₹ 1.20 per Equity Share). The dividend, when approved by the members, would involve a cash outflow of ₹ 1,807 lakhs towards disbursement of Dividend and ₹ 371 lakhs towards payment of Dividend Distribution Tax aggregating to a total out flow of ₹ 2,178 lakhs.

1.3. Transfer to Reserves

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

1.4. Share Capital

During the year under review, the share capital increased on account of exercise of stock options issued to Associates under Associates Stock Option Plan 2014 (ASOP).

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 grant of options during the year as per the details given below:

S. No.	Particulars	No of Options	No of Employees
1.	Options granted	1,50,000	1
2.	Options vested	43,40,070	80
3.	Options exercised	1,53,860	9
4.	Total number of shares arising as a result of exercise of option	1,53,860	9
5.	Options lapsed	6,53,100	

S. No.	Particulars	No of Options	No of Employees
6.	Exercise price	₹ 79.10	-
7.	Variation of terms of options	Nil	-
8.	Money realized by exercise of options (in lakhs)	₹ 121.70	-
9.	Total number of options in force	51,80,440	81

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	1,50,000
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

1.5 Particulars of Loans, Guarantees and Investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the Notes to the financial statements provided in this Annual Report.

1.6 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.

1.7 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, 2018 till the date of this Report.

2. BUSINESS REVIEW

2.1 Business Strategy and Overview:

Your Company, last year, drew a clear distinction between services offered off the Network and DC infrastructure; namely Telecom centric services and DC centric IT services. The reason for this distinction was that the Telecom service will cater to data-heavy, multipoint traffic while the DC will reside in itself all native and new age application sought off on a subscription model. The factors governing and driving the two businesses also being distinct in nature.

While Telecom continues its organic growth, the current acceleration of the country's automation ambitions is reflected in the increased offtake of our application layer, both home-grown and industry standard. Case in point is the success of the iTest platform becoming the accepted platform for the Government's process of enrollment.

Adding fuel to the pace of growth has seen Enterprises that are racing to adopt the new tax regime and hence looking for service providers that can transition them, and in many cases upgrade them. Your Directors' are happy to note that with the wide bouquet of services available, Your company is making the decision making for the Enterprises easier.

Your Company is also aware of the renewed push to the Cloud platform that industry is going through and hence is actively iterating the services bouquet with a cloud version, most of which will be available on subscription.

Your Company's recognition of being a digital transformation evangelist continues with endorsements from the industry in the form of awards from both peer groups and independent bodies.

2.2 Technology Trends:

Over the last year, Your Company has seen an increased demand for all services based on the Data Center infrastructure including the software and services layer. In line with this new perspective, the businesses were reoriented into two specific streams - that of Telecom centric services and Data Center centric IT services. To the external world, this meant a clear distinction between the two infrastructure platforms offered; that of Telecom connectivity and Data Center.

Towards the close of the last calendar year, Data Center centric IT services saw a distinct spike in the offtake of services offered. The success of the Government's enrolment program using Your Company's test engine was replicated successfully across multiple Government and private business. You Company views this as the conventional Platform-as-a-service maturing into a Business Process-as-a-service.

The other big investment has been in key Enterprise applications. Continuing from last year, the offerings have been strengthened with handshakes with all the major industry players. This gives incoming MNCs the comfort of the IT software landscape in their country of origin and hence mitigates the pain of transition.

That, Your Company's services now transcend standard offerings is clear from the big win for one of the largest stock exchanges in India who will be engaging Your Company for both network migration and also utilizing Your Company's application platform as a central dashboard.

There are other clear trends emerging in the solutions demand landscape too. Perhaps for the first time, Your Company is seeing the firm demand for multiple services when it is time for a technology refresh. The country's central banking IT research organization engaged Your Company to refresh its entire technology architecture on to a central backbone.

Your Company continues to push its reach into International markets with the opening of its seventh International Point of Presence at Marseille, France. With this point, Your Company now provides a critical International traffic median and effectively covers both the Pacific and Atlantic routes.

Your Company's constant endeavor to better itself was acknowledged with Gartner elevating Sify to the Challengers Quadrant in its Magic Quadrant for the Asia Pacific Cloud Service Provider scope. Recognition from peers came with the Most Promising Data Center Provider 2017 and the APAC CIO Outlook crowned Your Company the Top Managed Services Provider 2017.

2.3 Outlook

According to a report by Industry Analyst body, Deloitte, the technology industry trends driving growth in 2018 will include Cloud computing; flexible consumption; cognitive computing; user-friendly tools, APIs, and apps; and data. The relevant portion of the Report is reproduced herein.

- ◆ Cloud computing: Important innovations are making cloud computing more valuable for companies as they seek to transform their operations and business models. These advances are helping accelerate deployments of artificial intelligence and Internet of Things solutions, while enabling deep, analytics-driven insights.
- ◆ Flexible consumption: Cloud is driving demand for flexible consumption (“pay as you go”) models. Connected devices and the Internet of Things have made more products suitable for “as a service” consumption—enabling lower unit costs and enhanced customer relationships.
- ◆ Cognitive computing, although still in its infancy, is helping companies enhance products and services, make better decisions, and improve operations. In particular, machine learning is helping companies find patterns (and anomalies) in large data sets.
- ◆ User-friendly tools, APIs, and apps are ensuring that in the future fewer people will need to know how various technologies actually work.
- ◆ Data: We’re seeing the breakdown of data silos and the emergence of tools that connect disparate information. Companies are getting better at extracting key business insights.

The Indian IT scenario will see the greatest thrust at both the lowest level of the curve and the highest level of maturity. At the lowest point, large scale migration to digital platforms will continue to be driven by productivity factor over its human-intervened brethren. Several more social enablement measures will continue to be brought under the automation net and will hence will push the inevitability of IT learning.

India, from the point of being a backend service provider for world has benefitted from riding the wave of the middle order of automation. The country’s IT push will bring in more people into the digital literate set thus demanding more basis IT education measures.

This is also opening up a demand on the International front with companies willing to tread a middle path of adoption for localized IPs. For Your Company, that would mean a new market that we will be able to offer Managed Services to. This along with the Telecom backbone stitch that Your Company has enabled should help build a healthy set of services that can be adopted across multiple geographies.

On the other hand, the slew of start-ups on the AI and machine learning platform has set off a race to derive a substantial strength of India-origin IPs. Much of this is an outcome of the country’s IT DNA discovering that there is more to just back-end operations and that the real challenge is in building the IPs. If the patience persists, we are beginning to see a new wave of IT growth, one driven by the intelligence in IT rather than time and material management.

2.4 The key highlights for the year 2017-18

- ◆ Successfully delivered over 20 million online assessments including engagements in the form of complete business process as a service
- ◆ Augmentation of cloud and managed services portfolio by including cutting edge technology and tools like ACI DC fabric, All Flash storage and unified services platform

- ◆ Multiple successful handovers of Data center transformation projects, WAN and Security refresh projects and DC/DR build projects across BFSI and Government organizations
- ◆ Launch of new services in DC centric IT services on subscription / utility model across products
- ◆ Building and delivering hyper-scale networks to global OTT and CDN players, establishing another International Point of Presence (PoP)
- ◆ New product launches of Managed WiFi, Internet of Things (IoT) and SD-WAN (Software Defined - Wide Area Network) focusing on cloud centric WANs of tomorrow
- ◆ Investments in building wired network in metro cities, expanding wireless network to over 100 new towns and towards new products and technologies like Managed WiFi, IoT and SD-WAN

2.5 Awards

Your Directors are pleased to place on record that your Company was awarded the following during the Financial Year 2017-18:

- ◆ Telecom Company of the year 2017
- ◆ Emerging Cloud Company of the year 2018
- ◆ CIO Choice Awards 2018 - Network and Data Center Transformation
- ◆ Best User Experience Website 2017
- ◆ Most Promising Data Center Provider 2017
- ◆ Top Managed Services Provider 2017
- ◆ Asia's Most Promising Brand 2017
- ◆ ICT company of the Year 2017
- ◆ Brand Transformation Award 2017
- ◆ Sify Featured in the Challengers Quadrant for cloud service providers

3. GOVERNANCE AND ETHICS

3.1 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.

3.2 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.

3.3 Board Meetings

During the year, the Board of Directors of your Company met 6 times. The dates of meetings are April 25, 2017, June 21, 2017, July 24, 2017, October 24, 2017, January 22, 2018 and February 14, 2018.

3.4 Directors and Key Managerial Personnel

i. Key Managerial Personnel

During the Financial Year 2017-18, Mr V Ramanujan 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 and 8A of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following Officers of the Company were designated as the Whole-Time Key Managerial Personnel of the Company:

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

ii. 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

3.5 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 by Independent Directors

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) of the Companies Act, 2013.

3.6. 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 C B 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. Dr T H Chowdary is the Chairman of the Committee.

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. Dr T H Chowdary is the Chairman of the Committee.

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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 NASDAQ Listing Compliance

As informed you in the Twenty First Annual Report, the American Depositary Shares (ADS) of the Company was traded on the NASDAQ Market at less than USD 1 (which is the minimum bid price) for a continuous period of 30 business days, your Company has received a letter from NASDAQ on December 27, 2016 on the Compliance of the Listing Rule.

In terms of the letter, Your Company was provided with a compliance period of 180 calendar days in which to regain compliance pursuant to NASDAQ Listing Rule.

As per the recommendation of the Board of Directors, the Company has agreed to voluntarily transfer its listing from the Global Select Market to the Capital Market and requested for an additional 180 days to cure the Minimum Bid Price Deficiency.

The Company has also highlighted the efforts and initiatives of the Senior Management in holding multiple schedule of meetings with Financial Institutions, Retail Investors, Traders and Banks in US to regain compliance.

Taking note of this representation, NASDAQ sent a communication on July 11, 2017 approving the Company's application to move its American Depositary Shares to NASDAQ Capital Market and granted additional 180 days cure period upto December 26, 2017 for regaining the Minimum Bid Price compliance.

On September 14, 2017, the ADR price was trading above the Minimum Bid Price of USD 1 and thereafter the price of ADR has been steadily moving up and the stock maintained the Minimum Bid Price of USD 1. Hence, NASDAQ vide its letter dated September 28, 2017, has communicated that the Company has regained compliance with the Listing Rule 5550(a)(2) and closed the matter.

3.12 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 2017-18 are listed below:

Subsidiary Companies

Sify Technologies (Singapore) Pte. Limited	Amount in ₹ Lakhs
Advances given	Nil
Receipt of Services	200
Purchase of goods	11
Rendering of Services	89
Sale of Property, Plant & Equipment	Nil

Sify Technologies North America Corporation	Amount in ₹ Lakhs
Advances given	5
Receipt of services	106
Rendering of Services	1607
Advances repaid	4
Sify Data and Managed Services Limited	Amount in ₹ Lakhs
Investment made in Shares	Nil
Advances given	Nil
Sify Infnit Spaces Limited	Amount in ₹ Lakhs
Investment made in Shares	500
Advances given	20

Holding Company

Raju Vegesna Infotech and Industries Private Limited	Amount in ₹ Lakhs
Lease rental paid	11

Enterprise over which KMP have significant influence

Raju Vegesna Developers Private Limited	Amount in ₹ Lakhs
Lease rental paid	4
Radhika Vegesna	
Lease rental paid	41

Others

Name of the Director	Nature of Payment	Amount in ₹ Lakhs
Dr T H Chowdary, Director	Consultancy Services	2

3.13 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.

3.14 Policy on Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has a zero tolerance approach for sexual Harassment Women at Workplace. A policy has been framed and adopted for prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed

thereunder. An Internal Complaints Committee has been constituted and there were no Complaints reported under the Act during the year.

3.15 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 has been displayed on the Company's website at www.sifytechnologies.com.

3.16 Filing of form XBRL under AOC 4

As the taxonomy has been released recently by the Ministry of Corporate Affairs (MCA), your Company is in the process of filing the audited financials prepared under Indian Accounting Standards (Ind AS) for the year 2016-17 under XBRL with MCA.

As regards the audited financial statements prepared under Ind AS for the year 2015-16 under XBRL, your Company is not able to file with MCA since the taxonomy released by MCA is not compatible. However, in order to ensure compliance of the provisions of the Companies Act, 2013, your Company has already filed the printed Annual Report with the Registrar of Companies, Chennai.

4. INTERNAL FINANCIAL CONTROLS AND AUDIT

4.1 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, 2017 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, 2018.

4.2 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 members had appointed them as Statutory Auditors for a second term of five years at the Twentieth Annual General Meeting held on July 4, 2016 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.

The Company has received a certificate from M/s ASA & Associates LLP, Chartered Accountants to the effect that their appointment, if made, shall be in accordance with the provisions of Section 141 of the Companies Act, 2013.

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 Mr V Ramasubramanian, Company Secretary in Practice to undertake the Secretarial Audit of the Company.

a. Name and Address

Mr V Ramasubramanian, Practising Company Secretary, Flat No 5, Park Villa, No 14/13, 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, 2018 is provided as **Annexure 2** to the Report.

The Report does not contain any qualifications, reservations or adverse remarks.

The Board has reappointed Mr V Ramasubramanian, Practising Company as Secretarial Auditor of the Company for the Financial Year 2018-19.

iii. Cost Auditor

Pursuant to the provisions of Section 148 of the Companies Act, 2013 and the Rules made thereunder, the Company has appointed the Cost Auditor as given below to undertake the Cost Audit of the Company.

a. Name and Address

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

b. Report

The Cost Auditor will submit his report for the Financial year 2017-18 on or before the due date.

Pursuant to the recommendation of the Audit Committee, the Board has approved the appointment of Mr S Ramachandran, Cost Accountant, as Cost Auditor, for the Financial year 2018-19.

5 SOCIAL RESPONSIBILITY AND SUSTAINABILITY

5.1 Corporate Social Responsibility

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 2017-18, the Company had spent ₹ 95.40 Lakhs towards CSR Projects as detailed herein below:

Particulars	Amount in ₹. Lakhs	Amount in ₹. Lakhs
Amount to be spent towards CSR		98.98
Amount Spent		
Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust (VIRRD), Dwarakha Tirumala	63.00	
Jateeya Vidya Seva Samithi	25.00	
Hanuman Mani Education & Culture Trust	7.40	

- Contribution to VIRRD Trust:** the Company has contributed ₹ 63.00 Lakhs towards purchase of construction of patients' bus shelter, Doctors' and Staffs' quarters and other patient amenities.
- Jateeya Vidya Seva Samithi:** the Company has contributed ₹ 25.00 Lakhs towards construction of Kitchen, Dining Hall and Store Room for the students.
- Hanuman Mani Education & Cultural Trust:** the Company has contributed ₹ 7.40 Lakhs towards construction of Community Hall to Angaluru village, Grama Panchyat of Gudlavalleru Mandalam.

Your company is in the process of identifying the suitable projects for spending the balance amount of ₹ 3.58 lakhs.

Annual Report on CSR is provided as **Annexure 3**.

5.2 Human Resource Management

Your Company considers its human resources as an important asset and endeavors to nurture groom and retain talent to meet the current and future needs of its business. We have conducted management and supervisory development programs as well as put in place succession plan and long term career growth plans. We have invested in upskilling our employees to meet the demands of the fast-changing technology landscape by conducting training through Sify Myacademy. Our training hours went up multifold in the current year. We continue to provide conducive work environment and opportunities for development of its employees. The number of employees as on March 31, 2018 was 2,608.

5.3 Conservation of Energy and Technology Absorption

Conservation of Energy:

Data centers are energy intensive and Sify has been working continuously to ensure that we operate in the most energy efficient manner. Across all our six Data Centers in India, we have implemented comprehensive energy conservation and efficiency programs through Energy usage optimization which eradicates energy hot spots through UPS optimization, installation of power factor controllers and installation of precision air handling units and maintaining power utilization efficiency to improve effectiveness across all the Data Centres.

Technology Absorption:

The Company has deployed latest technologies in its Network and its Data Center Business which has helped in improving quality of its services and productivity of its resources. The company's operations do not require significant import of technology.

6. OTHER DISCLOSURES

6.1 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.

6.2 Foreign Exchange Earnings and Outgo

Details of Foreign Exchange Earnings and outgo during the year are as follows:

Foreign Exchange Inflow: ₹ 28,953 lakhs

Foreign Exchange Outgo: ₹ 17,267 lakhs.

7. 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
April 24, 2018

Raju Vegesna
Chairman and Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Annexure 1

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

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)

Part A: Subsidiaries

Sr. No.	Name of the subsidiary	Financial year ended	Reporting currency	Exchange rate	Share capital	Reserves and surplus	Total assets	Total liabilities	Investments	Turnover	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	Proposed dividend	% of shareholding
1	Sify Technologies (Singapore) Pte Ltd	March 31, 2018	USD	65.04	341	16	1,642	1,285	-	6,781	20	(2)	18	Nil	100%
2	Sify Technologies North America Corporation	March 31, 2018	USD	65.04	5	2,564	3,868	1,299	-	4,440	29	-	29	Nil	100%
3	Sify Data and Managed Services Limited (Note 1 and Note 2)	March 31, 2018	INR	-	480	(25)	2,475	2,020	-	-	(25)	-	(25)	Nil	100%
4	Sify Infnit Spaces Limited (Note 1 and Note 3)	March 31, 2018	INR	-	500	(20)	500	20	-	-	(20)	-	(20)	Nil	100%

Note:

1. The company has not commenced its operations as of March 31, 2018.
2. The company was incorporated on 16th March 2017. The company has prepared its first financial statements for the period from 16th March 2017 to 31st March 2018.
3. The company was incorporated on 20th November 2017. The company has prepared its first financial statements for the period from 20th November 2017 to 31st March 2018.

Part B: Associates and Joint Ventures - Not Applicable

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 24, 2018

M P Vijay Kumar
Chief Financial Officer

V Ramanujan
Company Secretary

SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2018

[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, 2018 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, 2018 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.
6. Other applicable Laws:
 - a) Telecom Regulatory Authority of India Act, 1997.
 - b) Unified Licence Agreement compliance from Department of Telecommunications for carrying out Internet Service-A, National Long Distance and International Long-Distance services.
 - c) Controller of Certifying Authority - Licence for issue of Digital Signatures.
 - d) The Employees Provident Fund & Miscellaneous Provisions Act, 1952.
 - e) The Employees State Insurance Act, 1948.
 - f) The Maternity Benefit Act, 1961.
 - g) The Payment of Bonus Act, 1965.
 - h) The Payment of Gratuity Act, 1972.
 - i) The Tamilnadu Labour Welfare Fund Act, 1972.
 - j) The Tamilnadu Shops and Establishment Act, 1947.

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

- (i) Secretarial Standards (SS) SS 1 for Board Meetings and SS 2 for General Meetings 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 provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the amendments thereto 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.

During the period under review, the Company has appointed Mr V Ramanujan as the Company Secretary of the Company effective June 21, 2017 to comply with Section 203 (4) of the Companies Act, 2013 read with Rule 8(a) of the Companies (Appointment and Remuneration of Managerial Personnel), Rules 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, if any, 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.

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 Twenty First Annual General Meeting held on July 6, 2017.
- 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 Twenty First Annual General Meeting held on July 6, 2017.
- c) During the period under review, the Company has not extended any loan to other bodies corporate.
- d) During the period under review, the Company has made investment of ₹ 5 crores toward Equity in M/s Sify Infnit Spaces Limited, the Wholly-owned Subsidiary Company.

As the above transaction is 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
23rd April 2018

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

CORPORATE SOCIAL RESPONSIBILITY REPORT

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

- i. Sify Technologies Limited (STL) believes in alignment of its vision and through its CSR initiatives, 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 & Managing Director	Chairman
Ananda Raju Vegesna, Executive Director	Member
C E S Azariah, Independent Director	Member

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

Financial Year	Net Profit before exceptional items in ₹. Crores
2016-17	61.70
2015-16	48.20
2014-15	38.50
Total	148.20

Average Net Profit = ₹ 49.43 crores

4. Prescribed CSR expenditure:

For the financial year 2017-18, a sum of ₹ 98.98 lakhs was to be spent being 2% of the average net profit.

5. CSR Spent during the financial year.

Amount spent as on March 31, 2018:

Particulars	Amount in ₹.
Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust (VIRRD), Dwarakha Tirumala	63,00,000
Jateeya Vidya Seva Samithi	25,00,000
Hanuman Mani Education & Culture Trust	7,40,000
Total	95,40,000

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

The Company is in the process of searching suitable project to spend the balance amount of ₹ 3.58 lakhs.

7. 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
Chairman

Ananda Raju Vegesna
Member

C E S Azariah
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, 2018:							
1.	Health Care	Hospital for the Disabled	Dwarakha Tirumala	63,00,000	63,00,000	1,78,00,000	Direct Contribution to Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust, Dwarakha Tirumala
2.	Promoting Education	Construction of Class rooms	Guntur District, Andhra Pradesh	25,00,000	25,00,000	25,00,000	Direct Contribution to Jateeya Vidya Seva Samithi
3.	Rural Development	Construction of Community Hall to Angaluru village, Grama Panchyat of Gudlavalleru Mandalam	Angaluru, Krishna District Andhrapradesh	7,40,000	7,40,000	7,40,000	Direct Contribution to Sri Hanuman Mani Education & Cultural Trust, Hyderabad

 Chennai
 April 24, 2018

Raju Vegesna
 Chairman

Ananda Raju Vegesna
 Member

C E S Azariah
 Member

Separate Financial Statements
for the year ended March 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Sify Technologies Limited

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of Sify Technologies Limited ("the Company"), which comprise the balance sheet as at 31 March 2018, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred to as "separate financial statements").

2. Management's Responsibility for the Separate Financial Statements

2.1 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 of these separate financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

2.2 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 separate 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

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

3.2 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.

3.3 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 separate financial statements are free from material misstatement.

3.4 An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

3.5 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

4.1 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 financial position of the Company as at 31 March, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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 section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

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 cash flows and the statement of changes in equity 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 relevant rule issued thereunder;
- e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 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; 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 Company has disclosed the impact of pending litigations on its financial position in its separate financial statements - Refer Note 22 (a) (Contingent liabilities) and Note 43 (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 to the Significant Accounting Policies in C 9 and Note 40 (a) (Derivative Financial instruments) attached to the separate financial statements; and
 - 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

Place: Chennai

Date : April 24, 2018

Membership No: 028738

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in Independent Auditors' Report to the members of the Company on the separate financial statements for the year ended 31 March 2018, we report that:

- (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 investments made. The Company has not granted any loan accordingly, it's not applicable.
- (v) The Company has not accepted any deposits from the public.
- (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) / Goods and Service Tax (GST), 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, 2018 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 dispute is 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	161	
	Prior to 16-May-2009	48	
	Oct 2005 to Mar 2010	1,390	
	Oct 2005 to Mar 2009	156	
	Apr 2010 to Mar 2011	68	
	Apr 2010 to Jan 2013	32	
	Apr 2011 to Mar 2012	24	
	April 2002 to March 2007	144	
	April 2013 to March 2015	34	
	April 2012 to March 2014	173	
April 2008 to March 2009	7		
Uttar Pradesh Value Added Tax Act, 2008	2011-12	8	Commercial Tax Officer, UP
Income Tax Act, 1961	Assessment year 2008-09	80	Income Tax Appellate Tribunal

- (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

Place: Chennai

Date : April 24, 2018

Membership No: 028738

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 5 (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, 2018

We have audited the internal financial controls over financial reporting of Sify Technologies Limited ("the Company") as of March 31, 2018 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, 2018, 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

Place: Chennai

Date : April 24, 2018

Membership No: 028738

Balance Sheet as at March 31, 2018

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

	Note No. (D)	March 31, 2018	March 31, 2017
ASSETS			
(1) Non-current assets			
(a) Property, Plant and Equipment	1	59,864	63,550
(b) Capital work in progress		12,279	2,680
(c) Intangible assets	2	5,648	5,414
(d) Financial assets			
(i) Investments	3	6,436	5,936
(ii) Trade receivables	4	325	66
(iii) Other financial assets	5	3,366	2,366
(e) Other non-current assets	6	18,736	17,099
		1,06,654	97,111
(2) Current assets			
(a) Inventories	7	6,454	11,540
(b) Financial assets			
(i) Trade receivables	8	87,899	68,837
(ii) Cash and cash equivalents	9	20,315	16,212
(iii) Other financial assets	10	617	865
(c) Other current assets	11	21,991	20,122
		1,37,276	1,17,576
Total Assets		2,43,930	2,14,687
EQUITY AND LIABILITIES			
EQUITY			
(a) Equity Share Capital	12	15,184	15,169
(b) Other Equity	13	75,404	68,030
		90,588	83,199
LIABILITIES			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	21,106	10,676
(ii) Other financial liabilities	15	2,071	2,017
(b) Provisions	16	1,475	1,273
(c) Other non-current liabilities	17	7,761	4,349
		32,413	18,315
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	18	25,978	26,371
(ii) Trade payables	19	56,636	49,943
(iii) Other financial liabilities	20	21,397	18,294
(b) Other current liabilities	21	16,771	18,453
(c) Provisions	16	147	112
		1,20,929	1,13,173
Total Equity and Liabilities		2,43,930	2,14,687

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

D K Giridharan

Partner

Membership No.: 028738

Chennai

April 24, 2018

Raju Vegesna

Chairman and Managing Director

M P Vijay Kumar

Chief Financial Officer

For and on behalf of the Board of Directors

Ananda Raju Vegesna

Executive Director

V Ramanujan

Company Secretary

C B Mouli

Director

Statement of Profit and Loss for the year ended March 31, 2018

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

	Note No. (D)	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	24	1,97,448	1,77,927
Other income	25	3,116	2,652
Total income		2,00,564	1,80,579
EXPENSES			
Cost of services rendered	26 A	92,674	89,883
Purchase of stock-in-trade	26 B	20,584	22,529
Changes in inventories	26 C	5,086	(4,126)
Employee benefits expense	27	23,799	19,635
Finance costs	28	4,953	4,367
Depreciation and amortisation expense	1 and 2	17,519	17,565
Other expenses	29	26,717	24,556
Total expenses		1,91,332	1,74,409
Profit before tax		9,232	6,170
Tax expense	31	-	-
Profit after tax		9,232	6,170
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Remeasurements of net defined benefit liability/asset	36	54	(170)
Total other comprehensive income		54	(170)
Total comprehensive income for the year		9,286	6,000
Earnings per equity share (₹ 10 paid up)	34		
Basic		6.14	4.27
Diluted		6.11	4.27
Earnings per equity share ₹ 7.75 (March 31, 2017 : ₹ 7.75) paid up	34		
Basic		4.76	3.31
Diluted		4.74	3.31

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 Statement of Profit and Loss

As per our report of even date attached

for ASA & Associates LLP

Chartered Accountants

Firm Registration No.: 009571N/N500006

D K Giridharan
Partner
Membership No.: 028738Chennai
April 24, 2018Raju Vegesna
Chairman and Managing DirectorM P Vijay Kumar
Chief Financial Officer

For and on behalf of the Board of Directors

Ananda Raju Vegesna
Executive DirectorV Ramanujan
Company SecretaryC B Mouli
Director

Statement of Changes in Equity for the year ended March 31, 2018

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

A. Equity Share Capital

	For the year ended	
	March 31, 2018	March 31, 2017
Balance at the beginning of the year	15,169	14,231
Change in Equity Share Capital during the year	15	938
Balance at the end of the year	15,184	15,169

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	
2016-17						
Balance as at April 1, 2016* - (A)	1,87,374	539	(1,27,285)	637	224	61,489
Profit for the year	-	-	6,170	-	-	6,170
Other comprehensive income	-	-	-	-	(170)	(170)
Total comprehensive income for the year 2016-17 - (B)	-	-	6,170	-	(170)	6,000
Employee stock compensation cost for the year	-	-	-	176	-	176
Transferred from stock options outstanding account	-	65	-	(65)	-	-
Call money received	2,062	-	-	-	-	2,062
Dividend paid (Including dividend distribution tax) for 2015-16 approved by shareholders in annual general meeting held on July 4, 2016	-	-	(1,697)	-	-	(1,697)
Balance as at March 31, 2017 - (C)	1,89,436	604	(1,22,812)	748	54	68,030
Accumulated losses dealt with vide order of Honourable High Court of Madras [Refer Note D (44) (a)] - (D)	(1,16,264)	-	1,16,264	-	-	-
Accumulated losses dealt with vide scheme of merger as per contra [Refer note D (44) (b)] - (E)	(27,661)	-	27,661	-	-	-
Amount carried forward to Balance Sheet [(F) = (C)+(D)+(E)]	45,511	604	21,113	748	54	68,030

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

B. Other Equity (Continued)

	Reserves and surplus			Other Components of Equity			Total
	Securities Premium	General Reserve	Retained earnings	Stock Options Outstanding	Remeasurements of net defined benefit liability/asset		
2017-18							
Balance as at April 1, 2017* - (A)	1,89,436	604	(1,22,812)	748	54	68,030	
Profit for the year	-	-	9,232	-	-	9,232	
Other comprehensive income	-	-	-	-	54	54	
Total comprehensive income for the year 2017-18 - (B)	-	-	9,232	-	54	9,286	
Employee stock compensation cost for the year	-	-	-	69	-	69	
Transferred from stock options outstanding account	27	29	-	(56)	-	-	
Additions to securities premium on issue of shares on exercise of ASOP	106	-	-	-	-	106	
Dividend paid (Including dividend distribution tax) for 2016-17 approved by shareholders in Annual General Meeting held on July 6, 2017	-	-	(2,087)	-	-	(2,087)	
Balance as at March 31, 2018 - (C)	1,89,569	633	(1,15,667)	761	108	75,404	
Accumulated losses dealt with vide order of Honourable High Court of Madras [Refer Note D (44) (a)] - (D)	(1,16,264)	-	1,16,264	-	-	-	
Accumulated losses dealt with vide scheme of merger as per contra [Refer note D (44) (b)] - (E)	(27,661)	-	27,661	-	-	-	
Amount carried forward to Balance Sheet [(F) = (C)+(D)+(E)]	45,644	633	28,258	761	108	75,404	

*Balance at 1.4.2016 and 1.4.2017 of Securities Premium and Retained Earnings are before adjustment of Accumulated Losses with Securities Premium as detailed in Note D (44) (a) and D (44) (b).

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 Statement of Changes in Equity As per our report of even date attached.

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

D K Girdharan
Partner
Membership No: 028738

Chennai
April 24, 2018

Raju Vegesna
Chairman and Managing Director

M P Vijay Kumar
Chief Financial Officer

Ananda Raju Vegesna
Executive Director

V Ramanujan
Company Secretary

For and on behalf of the Board of Directors

C B Mouli
Director

Cash Flow Statement for the year ended March 31, 2018

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

	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit before tax	9,232	6,170
Adjustments for :		
Depreciation and amortisation expense	17,519	17,565
Finance expenses (considered separately)	4,953	4,367
Allowance for doubtful debts	3,700	3,803
Employee stock compensation expense	69	176
Provision for expenses no longer required written back	(41)	-
Amortisation of lease prepayments	183	159
Unrealised foreign exchange fluctuation loss/(gain), net	(19)	(683)
Interest income (considered separately)	(1,218)	(1,197)
(Profit) /loss on sale of Property, Plant and Equipment (net)	(26)	(11)
Operating profit / (loss) before working capital changes	34,352	30,349
(Increase)/decrease in trade receivables - current	(22,630)	(18,096)
(Increase)/decrease in non current trade receivables	(259)	(8)
(Increase)/decrease in inventories	5,086	(4,126)
(Increase)/decrease in other financial assets - current	227	184
(Increase)/decrease in other financial assets - non current	(885)	(336)
(Increase)/decrease in other non current assets	(2,448)	(1,645)
(Increase)/decrease in other current assets	(1,412)	(237)
Increase/(decrease) in trade payables	6,989	9,801
Increase/(decrease) in other non current financial liabilities	54	(33)
Increase/(decrease) in other non current liabilities	3,412	534
Increase/(decrease) in other financial liabilities - current	244	1,126
Increase/(decrease) in other current liabilities	(1,682)	3,086
Increase/(decrease) in provisions - non current	256	240
Increase/(decrease) in provisions - current	35	25
Cash generated from operations	21,339	20,864
Tax (paid)/refund received	(457)	88
Net cash generated from operating activities	(A) 20,882	20,952
Cash flow from investing activities		
Investment in subsidiary	(500)	(2,500)
Purchase of Property, Plant and Equipment	(18,218)	(18,168)
Sale proceeds of Property, Plant and Equipment	25	25
Advance to subsidiaries	(20)	(20)
Interest income received	1,144	1,280
Net cash used in investing activities	(B) (17,569)	(19,383)
Cash flow from financing activities		
Proceeds from long-term borrowings	23,972	12,291
Repayment of long-term borrowings	(15,649)	(17,582)
Increase/(decrease) in short-term borrowings	(11,925)	5,698
Proceeds from issue of share capital	121	3,000
Dividend paid	(1,734)	(1,410)
Dividend distribution tax paid	(353)	(287)
Interest paid	(4,898)	(4,263)
Net cash used in financing activities	(C) (10,466)	(2,553)
Effect of exchange differences on translation of cash and cash equivalents	(D) (48)	(36)
Net increase/(decrease) in cash and cash equivalents during the year	(A) + (B) + (C) + (D) (7,201)	(1,020)
Cash and cash equivalents at the beginning of the year	6,301	7,321
Cash and cash equivalents at the end of the year[#] [Refer Note D (9)]	(900)	6,301
[#] Cash and cash equivalents subject to lien [Refer Note D (9)]	2,604	2,295
Non-Cash financing and investing activities		
Purchase of property, plant and equipment by means of financial lease	697	1,687
The amendment to Ind AS 7 require disclosure of changes in liabilities arising from financing activities [Refer Note D (30)]		
Significant accounting policies and notes to the financial statements (Refer notes C and D)		

This is the cash flow statement referred to in our report of even date

 for **ASA & Associates LLP**

Chartered Accountants

Firm Registration No.: 009571N/N500006

D K Giridharan
 Partner
 Membership No.: 028738

 Chennai
 April 24, 2018

Raju Vegesna
 Chairman and Managing Director

M P Vijay Kumar
 Chief Financial Officer

For and on behalf of the Board of Directors

Ananda Raju Vegesna
 Executive Director

V Ramanujan
 Company Secretary

C B Mouli
 Director

(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 Telecom-centric services, Data Center-centric IT services which includes Data Center services, cloud and managed services, applications integration services and technology integration services. The Company was incorporated on December 12, 1995 and is listed on the NASDAQ Capital Market in the United States.

B. BASIS OF PREPARATION

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis of accounting, except for Cash Flow Statement and certain financial instruments which are measured on fair value basis. GAAP comprises Indian Accounting Standards (Ind AS) as notified under 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, 2018 have been prepared in accordance with Ind AS duly approved by the Board of Directors at its meeting held on April 24, 2018.

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.
- Share-based payments
- 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. Amended Standards adopted by the Company

The amendment to Ind AS 7 require disclosure of changes in liabilities arising from financing activities [Refer Note D (30)]

The company has adopted amendment to Ind AS 102, which provides specific guidance to measurement of cash-settled share-based payment transactions, share-based payment transactions with a net settlement feature for withholding tax obligations and accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled transaction. The adoption of amendment did not have any material effect on the financial statements.

4. 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.

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

5. Use of estimates and Judgements

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, judgements 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 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 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 cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and

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

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 financial assets 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 either as at FVTOCI or FVTPL. 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 and 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 financial liabilities at amortised cost:

- a) Borrowings from banks

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

- 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 expired.

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 and 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 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 of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchases taxes, after deducting trade discounts and rebates and includes expenditure 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 in 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.

Amount paid as advances towards the acquisition of property, plant and equipment is disclosed separately under other non-current assets as capital advances and the cost of assets not put to use as on Balance Sheet date are disclosed under 'Capital work-in-progress'.

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

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 or 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 year ended March 31, 2018 and March 31, 2017 were as follows:

	Estimate of useful life (in years)	Useful life prescribed by Schedule II (in years)
Buildings	28	30
Plant and equipment		
- Tower, telecom ducts, cables and optical fibre	3 - 8	18
- Telecom tranceivers	8	13
- Computer servers	5	6
- Computer laptops/desktop	3	3
Furniture and fittings	5	10
Office equipment	5	10
Motor vehicles	3	8

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.

Transaction 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

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

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 lease 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 unless such payments are structured in line with the expected general inflation to compensate for the lessors expected inflationary cost increases.

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 (including expected 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

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plus recognized profit exceed progress billings. If progress billings exceed 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)

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no 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. The Company makes specified monthly contribution towards Government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit and loss in the periods during which the related services are rendered by employees.

(b) Defined benefit plans (Gratuity)

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The gratuity fund is managed by the Life Insurance Corporation of India (LIC). The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting any unrecognized past service cost and the fair value of any plan assets.

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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), are recognised in other comprehensive income and presented within equity. Remeasurements are not reclassified to profit or loss in subsequent periods. Service costs, net interest expenses and other expenses related to defined benefit plans are recognised in profit or loss.

(c) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are

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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 on grant date, (equity-settled share based payments) 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.

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, volume rebates, value added taxes, goods and service tax (GST) and amounts collected on behalf of third parties. 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;

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- 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 includes 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 consists co-location of 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 includes 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 comprises 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 includes System Integration Services, revenue from construction of data centers, security solutions 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 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.

(e) Applications Integration Services:

Revenue from Applications Integration services includes online assessment, document management services, web development, mailing solutions, supply chain software, digital certificate based authentication services and e-learning software development services. E-learning software development services consists 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.

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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.

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.

Multiple deliverable arrangements

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) Unearned income

Unearned income represents unserviced portion of billed contracts.

15. Finance income

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.

16. Finance expense

Finance expense comprises borrowing costs, 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.

Borrowing costs are interest and other costs (including exchange difference relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Interest expense is recognised using effective interest method.

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 deferred tax 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

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combination and that affects neither accounting nor taxable profit or loss,

- (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; and
- (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.

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 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 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.

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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 expected to be realised beyond twelve months, 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 behaviour), 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 least 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.

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22. Recent accounting pronouncements

New Standards and interpretations not yet adopted

The Ministry of Corporate Affairs (MCA) vide notification dated March 28, 2018 has issued new standard, Ind AS 115 - Revenue from contracts with customers and also amended Ind AS 40 - Investment property, Appendix to IND AS 21 - The effects of changes in foreign exchange rates, Ind AS 12 - Income taxes, Ind AS 28 - Investments in associates and joint ventures and Ind AS 112 - Disclosure of interest in other entities.

a) **Ind AS 115 - Revenue from contracts with customers**

The core principle of the new standard is that an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method.

The Company will adopt the standard on April 1, 2018 by using the cumulative effect transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted.

The effective date for adoption of Ind AS 115 is annual periods beginning on or after April 1, 2018. The effect on adoption of Ind AS 115 on Statement of Profit and Loss is not expected to be significant and the Company will recognise the effect of initial application in the opening retained earnings as per the transitional provisions prescribed under this Standard.

b) **Ind AS 40 - Investment property**

The amendment lays down the principle regarding when an entity should transfer asset to, or from, investment property.

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

The effective date for adoption of amendments are from annual periods beginning on or after April 1, 2018. The company has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

c) **Ind AS 21 - The effects of changes in foreign exchange Rates**

The amendment clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The effective date for adoption of the amendment is annual reporting periods beginning on or after April 1, 2018 (Retrospective application is permitted). The company has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

d) **Ind AS 12 - Income taxes**

The amendment lays down the principles regarding offsetting of deductible temporary differences against each other on combined basis or individual basis in accordance with the tax laws. The amendments are applicable retrospectively for annual periods beginning on or after April 1, 2018. The effect of amendment to Ind AS 12 is expected to be insignificant.

Other amendments to Ind AS 28 - Investments in associates and joint ventures and Ind AS 112 - Disclosure of interest in other entities are applicable retrospectively for annual periods beginning on or after April 1, 2018. The company has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

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D. Notes to Accounts
1. Property, Plant and Equipment

The following table presents the changes in property, plant and equipment during the year ended March 31, 2018

Particulars	ORIGINAL COST			DEPRECIATION			NET BOOK VALUE		
	As at April 1, 2017	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at April 1, 2017	For the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at March 31, 2017
Owned assets									
Buildings	20,130	-	-	20,130	4,705	718	-	5,423	15,425
(As at April 1 2014)	(9,239)	-	-	(9,239)	(2,536)	-	-	(2,536)	(6,703)
Plant and equipment	1,03,273	9,745	919	1,12,099	69,552	9,384	263	78,673	33,721
(As at April 1 2014)	(67,277)	-	(437)	(66,840)	(46,312)	-	(159)	(46,153)	(20,965)
Furniture and fittings	1,510	13	8	1,515	1,474	34	8	1,500	36
(As at April 1 2014)	(1,376)	-	(8)	(1,368)	(1,362)	-	(3)	(1,359)	(14)
Office equipment	4,886	1,069	12	5,943	2,847	657	12	3,492	2,039
(As at April 1 2014)	(2,327)	-	(12)	(2,315)	(1,822)	-	(2)	(1,820)	(505)
Leasehold improvements	9,244	1,563	2	10,805	5,986	1,077	2	7,061	3,258
(As at April 1 2014)	(4,960)	-	(2)	(4,958)	(4,003)	-	-	(4,003)	(957)
Motor vehicles	72	-	-	72	12	24	-	36	60
(As at April 1 2014)	-	-	-	-	-	-	-	-	-
Assets acquired under lease									
Building	2,911	-	-	2,911	1,080	103	-	1,183	1,831
(As at April 1 2014)	(2,911)	-	-	(2,911)	(771)	-	-	(771)	(2,140)
Plant and machinery	24,690	697	-	25,387	17,510	4,120	-	21,630	7,180
(As at April 1 2014)	(11,005)	-	-	(11,005)	(2,913)	-	-	(2,913)	(8,092)
Motor vehicles	29	-	-	29	29	-	-	29	-
(As at April 1 2014)	(29)	-	-	(29)	(28)	-	-	(28)	(1)
(As at April 1 2014)	1,66,745	13,087	941	1,78,891	1,03,195	16,117	285	1,19,027	63,550
(As at April 1 2014)	(99,124)	-	(459)	(98,665)	(59,747)	-	(164)	(59,583)	(39,377)

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

The following table presents the changes in property, plant and equipment during the year ended March 31, 2017

Particulars	ORIGINAL COST			DEPRECIATION			NET BOOK VALUE		
	As at April 1, 2016	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at April 1, 2016	For the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at March 31, 2016
Owned assets									
Buildings	20,130	-	-	20,130	3,986	719	-	4,705	15,425
(As at April 1 2014)	(9,239)	-	-	(9,239)	(2,536)	-	-	(2,536)	(6,703)
Plant and equipment	88,381	15,125	233	1,03,273	61,336	8,435	219	69,552	33,721
(As at April 1 2014)	(67,505)	-	(228)	(67,277)	(46,518)	-	(206)	(46,312)	(20,987)
Furniture and fittings	1,487	38	15	1,510	1,454	35	15	1,474	36
(As at April 1 2014)	(1,391)	-	(15)	(1,376)	(1,377)	-	(15)	(1,362)	(14)
Office equipment	3,793	1,100	7	4,886	2,324	530	7	2,847	2,039
(As at April 1 2014)	(2,334)	-	(7)	(2,327)	(1,828)	-	(6)	(1,822)	(505)
Leasehold improvements	8,623	642	21	9,244	5,098	909	21	5,986	3,525
(As at April 1 2014)	(4,981)	-	(21)	(4,960)	(4,024)	-	(21)	(4,003)	(957)
Motor vehicles	-	72	-	72	-	12	-	12	60
(As at April 1 2014)	-	-	-	-	-	-	-	-	-
Assets acquired under lease									
Building	2,911	-	-	2,911	977	103	-	1,080	1,831
(As at April 1 2014)	(2,911)	-	-	(2,911)	(771)	-	-	(771)	(2,140)
Plant and machinery	23,003	1,687	-	24,690	11,874	5,636	-	17,510	7,180
(As at April 1 2014)	(11,005)	-	-	(11,005)	(2,913)	-	-	(2,913)	(8,092)
Motor vehicles	29	-	-	29	29	-	-	29	-
(As at April 1 2014)	(29)	-	-	(29)	(28)	-	-	(28)	(1)
(As at April 1 2014)	1,48,357	18,664	276	1,66,745	87,078	16,379	262	1,03,195	63,550
(As at April 1 2014)	(99,395)	-	(271)	(99,124)	(59,995)	-	(248)	(59,747)	(39,400)

Notes

- (a) Refer note D (14) and D (18) for security given for borrowings.
- (b) Refer note D (22)(b) for capital commitments.
- (c) The company had elected to continue with the carrying amount of property, plant and equipment measured as per previous GAAP and use that as its deemed cost as at the date of transition to Ind AS (i.e. April 2014). The carrying value as on Balance Sheet date of those property, plant and equipment existing as on date of transition are given in brackets.

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

2. Intangible assets

The following table presents the changes in intangible assets during the year ended March 31, 2018

Particulars	ORIGINAL COST			AMORTISATION			NET BOOK VALUE		
	As at April 1, 2017	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at April 1, 2017	For the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at March 31, 2017
Undersea cable capacity	6,424	-	-	6,424	2,474	569	-	3,381	3,950
(As at April 1 2014)	(5,533)	-	-	(5,533)	(922)	-	-	(4,611)	(4,611)
System software	6,521	1,636	-	8,157	5,448	806	-	1,903	1,073
(As at April 1 2014)	(4,589)	-	-	(4,589)	(4,044)	-	-	(545)	(545)
License fees	730	-	-	730	339	27	-	366	391
(As at April 1 2014)	(500)	-	-	(500)	(238)	-	-	(262)	(262)
Customer related intangibles	1,824	-	-	1,824	1,824	-	-	-	-
(As at April 1 2014)	(1,824)	-	-	(1,824)	(1,824)	-	-	(1,824)	-
	15,499	1,636	-	17,135	10,085	1,402	-	5,648	5,414
(As at April 1 2014)	(12,446)	-	-	(12,446)	(7,028)	-	-	(5,418)	(5,418)

(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, 2017

Particulars	ORIGINAL COST			AMORTISATION			NET BOOK VALUE		
	As at April 1, 2016	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at April 1, 2016	For the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at March 31, 2016
Undersea cable capacity	6,424	-	-	6,424	1,910	564	-	2,474	4,514
(As at April 1 2014)	(5,533)	-	-	(5,533)	(922)	-	-	(922)	(4,611)
System software	5,801	720	-	6,521	4,853	595	-	5,448	948
(As at April 1 2014)	(4,589)	-	-	(4,589)	(4,044)	-	-	(4,044)	(545)
License fees	730	-	-	730	312	27	-	339	418
(As at April 1 2014)	(500)	-	-	(500)	(238)	-	-	(238)	(262)
Customer related intangibles	1,824	-	-	1,824	1,824	-	-	1,824	-
(As at April 1 2014)	(1,824)	-	-	(1,824)	(1,824)	-	-	(1,824)	-
	14,779	720	-	15,499	8,899	1,186	-	10,085	5,880
(As at April 1 2014)	(12,446)	-	-	(12,446)	(7,028)	-	-	(7,028)	(5,418)

Note

- (a) The company had elected to continue with the carrying amount of intangible assets measured as per previous GAAP and use that as its deemed cost as at the date of transition to Ind AS (i.e 1st April 2014). The carrying value as on Balance Sheet date of those intangible assets existing as on date of transition are given in brackets.

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

	As at March 31, 2018	As at March 31, 2017
3. INVESTMENTS - NON-CURRENT		
<i>Trade Investments</i>		
<i>Investments in subsidiaries - unquoted (carried at cost)</i>		
Sify Technologies (Singapore) Pte Limited [2,000 (March 31, 2017 : 2,000) equity shares of SGD 1 each fully paid up]	1	1
[5,00,000 (March 31, 2017 : 5,00,000) equity shares of ₹ 67.98 (USD 1) each fully paid up]	340	340
Sify Technologies North America Corporation [100 (March 31, 2017: 100) Common stock of ₹ 0.006155 (USD 0.0001) each fully paid up]	*	*
Sify Technologies North America Corporation [8,00,00,000 (March 31, 2017: 8,00,00,000) Preferred stock of ₹ 0.006155 (USD 0.0001) each fully paid up]	3,078	3,078
Sify Data and Managed Services Limited [50,00,000 (March 31, 2017: 50,00,000) Equity Shares of ₹10 each fully paid up]	500	500
Sify Infinit Spaces Limited [50,00,000 (March 31, 2017: Nil) Equity Shares of ₹10 each fully paid up]	500	-
(A)	4,419	3,919
<i>Investment in preference shares</i>		
<i>Investments in subsidiaries - unquoted (carried at cost)</i>		
Sify Data and Managed Services Limited [2,00,00,000 (March 31, 2017: 2,00,00,000) 7% Non-Cumulative Convertible Preference Shares of ₹10 each fully paid up]	2,000	2,000
(A) + (B)	6,419	5,919
<i>Investment in equity of others - unquoted (Refer note below)</i>		
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2017: 15,000) equity shares of ₹10 each fully paid up]	2	2
Investment in Sarayu Clean Gen Pvt Ltd [1,56,000 (March 31, 2017: 1,56,000) equity shares of ₹10 each fully paid up]	15	15
(C)	17	17
(A) + (B) + (C)	6,436	5,936
Aggregate cost of unquoted investments	6,436	5,936
* 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.		
4. TRADE RECEIVABLES - NON-CURRENT		
Long term trade receivables (Unsecured, considered good)	325	66
	325	66
5. OTHER FINANCIAL ASSETS - NON-CURRENT		
Security deposits	3,007	2,032
Bank deposits*	359	334
	3,366	2,366

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

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

	As at March 31, 2018	As at March 31, 2017
6. OTHER NON-CURRENT ASSETS		
Capital advances	2,761	3,389
Others:		
Prepaid expenses	4,721	3,469
Lease prepayments	11,244	10,228
Unbilled revenue	10	13
	<u>18,736</u>	<u>17,099</u>
7. INVENTORIES		
Trade inventories	6,454	11,540
	<u>6,454</u>	<u>11,540</u>
8. TRADE RECEIVABLES		
Secured considered good	5	5
Unsecured considered good [Refer note (a) below]	87,894	68,832
Unsecured considered doubtful [Refer note (b) below]	2,039	2,289
	<u>89,938</u>	<u>71,126</u>
Less: Allowance for doubtful receivables [Refer note (c) below]	(2,039)	(2,289)
	<u>87,899</u>	<u>68,837</u>
(a) Includes ₹ 467 receivable from Sify Technologies North America Corporation, wholly owned subsidiary of the company (Previous Year: ₹ 258) and includes ₹ 300 receivable from Sify Technologies (Singapore) Pte Limited, a wholly owned subsidiary (Previous year- ₹ Nil)		
(b) Trade receivables for which loss allowance has been made, are classified as doubtful.		
(c) The activity in allowance for doubtful receivables is given below:		
	For the year ended March 31, 2018	For the year ended March 31, 2017
Balance at the beginning of the year	2,289	2,069
Add: Additional provision during the year	3,700	3,803
Less: Bad debts written off	(3,950)	(3,583)
Balance at the end of the year	<u>2,039</u>	<u>2,289</u>
9. CASH AND CASH EQUIVALENTS		
	As at March 31, 2018	As at March 31, 2017
(a) Balance with banks		
(i) in current accounts	17,706	13,795
(ii) deposits	-	1
(b) Other bank balances		
(i) Bank deposits [Refer note below]	2,604	2,295
(ii) Unpaid dividend account	*	*
(c) Cheques on hand	-	116
(d) Cash on hand	5	5
	<u>20,315</u>	<u>16,212</u>

*amount is below rounding off norm adopted by the Company

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

	As at March 31, 2018	As at March 31, 2017
<u>Note</u>		
Balances in deposit accounts subject to lien in favour of banks for obtaining bank guarantees /letter of credits	2,604	2,295
Cash and cash equivalents for the purpose of Cash Flow Statement:		
Cash and cash equivalents as above	20,315	16,212
Less: Bank overdraft used for cash management purposes [Refer note 18 (d)]	(21,215)	(9,911)
	(900)	6,301
10. OTHER FINANCIAL ASSETS		
Advances to subsidiaries (Refer note below)	40	20
Security deposits	503	813
Interest accrued on advances and deposits	74	32
	617	865
Note: Includes ₹ 20 Receivable from Sify Data and Managed Services Limited, wholly owned subsidiary of the company (Previous year ₹ 20) and ₹ 20 receivable from Sify Infnit Spaces Limited, wholly owned subsidiary of the company (previous year Nil)		
11. OTHER CURRENT ASSETS		
Advances other than capital advances:		
Balances with GST, service tax and sales tax authorities	2,753	2,684
Prepaid expenses	3,952	2,722
Advance tax and tax deducted at source	13,214	12,756
Unbilled revenue	-	168
Lease prepayments	185	173
Other advances	1,887	1,619
	(A) 21,991	20,122
Unsecured, considered doubtful		
Advances, other than capital advances	994	1,449
Less: Provision for doubtful advances (Refer note (a) below)	(994)	(1,449)
	(B) -	-
	(A) + (B) 21,991	20,122
(a) The activity in allowance for doubtful advances are given below:		
Balance at the beginning of the year	1,449	1,381
Add: Additional provision during the year	102	68
Less: Advance written off / adjustments	(557)	-
Balance at the end of the year	994	1,449

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

	As at March 31, 2018	As at March 31, 2017
12. EQUITY SHARE CAPITAL		
Authorized		
20,40,00,000 (March 31, 2017: 20,40,00,000) equity shares of ₹10 each	20,400	20,400
Issued		
17,86,84,647 (March 31, 2017: 17,85,30,787) equity shares of ₹10 each	17,868	17,853
Subscribed and fully paid		
5,36,84,647 (March 31, 2017: 5,35,30,787) equity shares of ₹10 each fully paid up	5,368	5,353
Subscribed but not fully paid		
12,50,00,000 (March 31, 2017: 12,50,00,000) equity shares of ₹10 each partly paid up [Refer note (c) below]	9,688	9,688
	15,056	15,041
Forfeited shares		
Amount originally paid up on 1,28,23,202 equity shares	128	128
	15,184	15,169

- (a) The equity shares are the only class of share capital having a par value of ₹10 per share. Of the above, 3,91,53,995 (Previous year : 3,90,00,135) shares are represented by American Depository Shares ('ADS') issued by the Company in accordance with applicable laws and regulations.
- (b) 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.
- (c) 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, 2018, these shares are partly paid to the extent of ₹7.75 (March 31, 2017: ₹7.75) 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 (50).
- (d) Of the total outstanding shares, 12,50,00,000 shares (March 31, 2017: 12,50,00,000) are held by M/s Ramanand Core Investment Company Private Limited, holding company.
- (e) 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, 2018		As at March 31, 2017	
	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	15,169	17,85,30,787	14,231
Add: Shares issued on exercise of ASOP	1,53,860	15	-	-
Add: Call money received	-	-	-	938
Number of shares outstanding at the end of the year	17,86,84,647	15,184	17,85,30,787	15,169

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

	As at March 31, 2018		As at March 31, 2017	
	Number of Shares held	% holding	Number of Shares held	% holding
Ramanand Core Investment Company Private Limited@	12,50,00,000	69.96%	12,50,00,000	70.02%
Infinity Satcom Universal Private Limited	1,45,30,000	8.13%	1,45,30,000	8.14%
Infinity Capital Ventures, LP	1,39,02,860	7.78%	1,39,02,860	7.79%

@ These shares are partly paid-up to the extent of ₹ 7.75 per share (March 31, 2017: ₹ 7.75 per share)
Also refer note D (50)

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

	As at March 31, 2018	As at March 31, 2017
13. OTHER EQUITY		
13.1 Reserves and surplus		
Securities premium		
Securities premium account balance	1,89,436	1,87,374
Add: transfer from Stock option outstanding account in respect of options exercised during the year	27	-
Add: additions during the year	106	2,062
(A)	<u>1,89,569</u>	<u>1,89,436</u>
General reserve		
Balance at the beginning of the year	604	539
Add: Transferred from stock options outstanding account	29	65
(B)	<u>633</u>	<u>604</u>
Retained earnings		
Opening balance	21,113	16,640
Adjustments:		
Add: Profit for the year	9,232	6,170
Less: Appropriations		
Dividend paid [₹ 1.2 per share (PY: ₹ 1 per share)]	(1,734)	(1,410)
Dividend distribution tax paid	(353)	(287)
(C)	<u>28,258</u>	<u>21,113</u>
(D) = (A)+(B)+(C)	<u>2,18,460</u>	<u>2,11,153</u>
Less: Accumulated losses dealt with vide order of Honourable High Court of Madras [Refer Note D (44) (a)]	(1,16,264)	(1,16,264)
Less: Accumulated losses dealt with vide scheme of merger [Refer Note D (44) (b)]	(27,661)	(27,661)
(E)	<u>74,535</u>	<u>67,228</u>
13.2 Other components of Equity		
Stock option outstanding account		
Opening Balance	748	637
Add: Employee stock compensation cost for the year	69	176
Less: Transfer to securities premium in respect of options exercised during the year	(27)	-
Less: Transfer to general reserve in respect of grants lapsed during the year	(29)	(65)
(F)	<u>761</u>	<u>748</u>
Remeasurement of net defined benefit liability/asset		
Opening Balance	54	224
Add: Additions during the year	54	(170)
(G)	<u>108</u>	<u>54</u>
(E)+(F)+(G)	<u>75,404</u>	<u>68,030</u>

Proposed Dividend: Dividend proposed to be distributed but not recognised as distribution to owners during the year amounted to ₹ 1,807 (₹ 1.2 per share) and the dividend distribution tax thereon amounts to ₹ 371. [Previous year: Dividend proposed ₹ 1,734 (₹ 1.2 per share) and the dividend distribution tax thereon amounted to ₹ 353].

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

	As at March 31, 2018	As at March 31, 2017
14. BORROWINGS		
14.1. Term Loans		
Secured		
From banks [Refer Note (a) to (c) below]	6,780	6,605
From others [Refer Note (d) to (e) below]	-	548
Unsecured		
From banks [Refer Note (f)]	4,792	-
From others [Refer Note (g) to (h) below]	8,565	1,666
(A)	20,137	8,819
14.2. Finance lease obligations		
Long term maturities of finance lease obligations [Refer Note (i) to (k)]	969	1,857
(B)	969	1,857
(A) + (B)	21,106	10,676

- a. Of total balance of ₹10,658 including current maturities (Previous Year: ₹ 9,211) an amount of ₹875 (Previous Year: ₹ 1,375) 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).
- b. An amount of ₹ 1,828 (Previous Year: ₹ 2,235) is primarily secured by equitable mortgage of title deeds of property of the company at Rabale in Mumbai and ₹ 1,601 (Previous Year: ₹ 2,551) is secured by plant and machinery at 4th floor and ₹ 2,500 (Previous Year: ₹ 1,757) is secured by specific plant and machinery at first, sixth, seventh and ground floor at Rabale data centre and ₹ 554 (Previous Year: ₹1,293) is secured by property at fifth floor, Vashi in Mumbai. An amount of ₹ 3,299 is secured by plant and machinery and collaterally by all securities currently charged to working capital lines from the concerned bank as mentioned in note 18(b)(ii)).
- c. The term loans bear interest rate ranging from 3.50% to 4.50% plus 6 months LIBOR in the case of Foreign currency term loans and 8.65% to 9.50% for others (Previous Year: 9.30% to 12.00%) 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
- d. These loans are primarily taken from NBFCs and are secured by charge on relevant assets.
- e. The loans bear interest rate ranging from 9.00% to 12.50% (Previous Year: 9.00% to 12.50%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
- f. These loans are primarily buyers' credit from banks which are repayable over a period of 1 to 3 years. The loans bear interest rate ranging from 2.8% to 3.2%
- g. These loans are primarily taken from NBFCs.
- h. The loans bear interest rate ranging from 8.59% to 12.50% (Previous Year: 9.00% to 12.50%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
- i. These are primarily taken from NBFCs and are secured by lease of relevant assets.
- j. These bear interest rate ranging from 10.20% to 12.00% (Previous Year: 10.85% to 12.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
- k. 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, 2018	As at March 31, 2017
The current maturities of borrowings are as under:		
Secured		
Term loan from banks	3,878	2,606
Loan from others	548	1,024
Current maturities of finance lease obligations	891	3,335
Unsecured		
Loan from others	5,533	5,203
	10,850	12,168
15. OTHER FINANCIAL LIABILITIES - NON-CURRENT		
Security deposits	423	389
Other liabilities	1,648	1,628
	2,071	2,017
16. PROVISIONS		
Provisions for employee benefits - current		
Compensated absences	147	112
(A)	147	112
Provisions for employee benefits - non-current		
Gratuity	991	891
Compensated absences	484	382
(B)	1,475	1273
(A) + (B)	1,622	1385
17. OTHER NON-CURRENT LIABILITIES		
Unearned income*	7,761	4,349
	7,761	4,349
* ₹ 195 Unearned income from Sify Technologies (Singapore) Pte Limited, a wholly owned subsidiary (Previous year- ₹ Nil)		
18. BORROWINGS (SHORT-TERM)		
Loans repayable on demand from banks - Secured [Refer notes (a) to (d) below]		
Working capital facilities	24,676	19,496
Buyers' credit from banks	1,302	5,563
Loans repayable on demand from banks - Unsecured		
Buyers' credit from banks	-	1,312
	25,978	26,371

(a) The above facilities amounting to ₹ 25,978 (Previous Year : ₹ 25,059), 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 ₹ 16,976 (Previous Year : ₹ 15,980) 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 ₹ 12,232 (Previous Year : ₹ 10,525) 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 ₹ 9,002 (Previous Year : ₹ 9,079) is collaterally secured by equitable mortgage over the land and building at Noida, Uttar Pradesh.

(iv) the exposure amounting to ₹ 3,885 (Previous Year : ₹ 2,200) is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

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

	As at March 31, 2018	As at March 31, 2017
(c) These working capital facilities bear interest rate ranging from 4.15% to 9.25% p.a. [Previous year: 4.15% to 11.50% p.a.] and these facilities are subject to renewal annually.		
(d) Working capital facilities comprises the following:		
Bank overdraft	21,215	9,911
Other working capital facilities	3,461	9,585
	<u>24,676</u>	<u>19,496</u>
19. TRADE PAYABLES		
Towards purchase of goods and services *	52,414	46,368
Other payables	4,222	3,575
	<u>56,636</u>	<u>49,943</u>

* Includes :

- (a) ₹ 292 payable to Sify Technologies (Singapore) Pte Limited, a wholly owned subsidiary (Previous year- ₹ 216)
(b) ₹ 50 payable to Sify Technologies North America Corporation, a wholly owned subsidiary (Previous year - ₹ 27)
(c) There are no dues payable to micro, small and medium enterprises as on Mar 31, 2018 (Previous year - Nil) - Refer note 49

20. OTHER FINANCIAL LIABILITIES

Capital creditors	7,825	3,703
Current maturities of long term debt**	3,878	2,606
Current maturities of other loans**	6,081	6,227
Current maturities of finance lease obligations**	891	3,335
Interest accrued	320	265
Deposits from customers	770	773
Other payables	1,632	1,385
Unpaid dividends	*	*
	<u>21,397</u>	<u>18,294</u>

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

**Also refer note D(14)

21. OTHER CURRENT LIABILITIES

Advances received from customers	2,464	3,752
Statutory payables	966	1,184
Unearned income*	11,491	11,746
Other payables	1,850	1,771
	<u>16,771</u>	<u>18,453</u>

* ₹ 15 Unearned income from Sify Technologies (Singapore) Pte Limited, a wholly owned subsidiary (Previous year- ₹ Nil)

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 ₹ 80 (Previous Year - ₹ 1,136).
(ii) Contingencies due to certain Service Tax claims as at March 31, 2018 amounted to ₹ 4,689 (Previous Year: ₹ 5,167).
(iii) Contingencies due to certain Sales Tax claims as at March 31, 2018 amounted to ₹11 (Previous Year: ₹ 138).

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, 2018	As at March 31, 2017
(b) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	10,327	10,445

(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, 2018, the company is holding 48 (Previous year : 30) licenses with a corresponding export obligation of ₹ 39,261 (Previous year : ₹ 23,917). 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 (43) 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, 2018 and as at March 31, 2017 are as follows:

Payable not later than one year	1,049	3,676
Payable later than one year and not later than five years	1,054	2,100
Total	2,103	5,776
Less: Amounts representing interest	(243)	(584)
Present value of minimum lease payments	1,860	5,192

- Payable not later than one year
[disclosed under other financial liabilities - Refer note D(20)]
- Payable later than one year and not later than five years
[disclosed under borrowings - Refer note D(14.2)]
- 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:

Payable not later than one year	1,124	1,115
Payable later than one year and not later than five years	4,919	4,774
Payable later than five years	3,866	5,134
Total	9,909	11,023

- 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	175	2,073
Receivables later than one year and not later than five years	279	237
	454	2,310

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

	Year ended March 31, 2018	Year ended March 31, 2017
24. REVENUE FROM OPERATIONS		
Sale of Services:		
- Domestic*	1,51,143	1,22,863
- Export	30,954	43,515
Sale of Products:		
- Domestic	15,351	11,549
	<u>1,97,448</u>	<u>1,77,927</u>
Revenue attributable to Unified license [Refer Note D (43)(a)]	91,252	98,485
Revenue not attributable to Unified license	1,06,196	79,442
	<u>1,97,448</u>	<u>1,77,927</u>
*includes lease income amounting to ₹ 2,120 for current year (Previous year - ₹ 3,941)		
25. OTHER INCOME		
Interest income		
From banks	187	236
Others	1,030	962
Other non-operating income		
Profit on sale of property, plant and equipment (Net)	26	11
Gain on foreign exchange fluctuation (Net)	72	296
Provisions for expenses no longer required, written back	41	-
Rental income	963	984
Miscellaneous income	797	163
	<u>3,116</u>	<u>2,652</u>
26. COST OF GOODS SOLD AND SERVICES RENDERED		
A. Cost of services rendered		
Networking costs	47,312	57,309
Other direct costs	33,909	22,738
Power expenses	11,453	9,836
	<u>92,674</u>	<u>89,883</u>
B. Purchases of Stock in Trade	20,584	22,529
C. Changes in inventories - Stock in Trade		
Opening inventory	11,540	7,414
Less: Closing inventory	(6,454)	(11,540)
	<u>5,086</u>	<u>(4,126)</u>
	<u>1,18,344</u>	<u>1,08,286</u>
27. EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	22,163	18,127
Contribution to provident and other funds*	1,372	1,073
Staff welfare expenses	195	259
Share-based payments to employees [Note D(39)]	69	176
	<u>23,799</u>	<u>19,635</u>

*Also refer note D (36)

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

	Year ended March 31, 2018	Year ended March 31, 2017
28. FINANCE COSTS		
Interest	3,947	3,434
Other borrowing costs (including letters of credit and bill discounting charges)	909	933
Exchange differences regarded as an adjustment to borrowing costs	97	-
	<u>4,953</u>	<u>4,367</u>
29. OTHER EXPENSES		
Commission expenses	370	227
Communication expenses	293	389
Rent	4,665	4,282
Rates and taxes	633	1,249
Travelling expenses	1,482	1,343
Power and fuel expenses	1,312	1,313
Legal and professional	1,367	1,049
Payment to auditors		
- Statutory audit fees	31	30
- Other services	23	22
Repairs and maintenance expenses		
- Plant and machinery	1,763	2,057
- Buildings	968	568
- Others	2,616	2,036
Insurance	263	353
Outsourced manpower costs	3,672	2,687
Advertisement, selling and marketing expenses	1,226	1,314
Contribution towards corporate social responsibility [Refer note D(51)]	96	84
Allowance for bad and doubtful debts (including bad debts written off ₹ 3,950 (Previous year: ₹ 3,583))	3700	3,803
Miscellaneous expenses	2,237	1,750
	<u>26,717</u>	<u>24,556</u>

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

30. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES**(i) Long term borrowings ***

Particulars	As at April 01, 2017	Proceeds	Repayment	Non cash movement			As at March 31, 2018
				Assets acquired on lease	Foreign exchange movement	Fair value changes	
Term loans from Bank	9,211	8,752	(2,740)	-	227	-	15,450
Term loans from Others	8,441	15,220	(8,880)	-	-	(135)	14,646
Finance lease obligations	5,192	-	(4,029)	697	-	-	1,860
Total	22,844	23,972	(15,649)	697	227	(135)	31,956

*including current maturities

(ii) Short term borrowings

Particulars	As at April 01, 2017	Cash flow	Foreign exchange movement	As at March 31, 2018
Working capital facilities excluding overdraft*	9,585	(6,376)	252	3,461
Other short term borrowing	6,875	(5,549)	(24)	1,302
Total	16,460	(11,925)	228	4,763

* Bank overdrafts are used for cash management purposes [Refer Note D (9)]

31. DEFERRED TAX ASSETS AND LIABILITIES

	Year ended March 31, 2018	Year ended March 31, 2017
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The tax effects of significant temporary differences that resulted in deferred tax assets and a description of the items that created these differences are given below :

Recognised deferred tax assets/liabilities**Deferred tax assets**

Property, Plant and Equipment	2,737	2,534
	2,737	2,534

Deferred tax liabilities

Intangible assets	(1,470)	(1,212)
Finance lease obligations	(1,267)	(1,322)
	(2,737)	(2,534)

Net deferred tax asset recognised in Balance Sheet

	-	-
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The Company has recognised deferred tax assets only to the extent of deferred tax liabilities arising during the year. In assessing the realizability of deferred tax assets, management considers whether some portion or all of deferred tax assets will not be realized. The ultimate realization of 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 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.

(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	Finance lease obligations
Balance as at April 1, 2016	2,374	(1,152)	(1,222)
Recognised in income statement	160	(60)	(100)
Recognised in Equity	-	-	-
Balance as at March 31, 2017	2,534	(1,212)	(1,322)
Recognised in income statement	203	(258)	55
Recognised in Equity	-	-	-
Balance as at March 31, 2018	2,737	(1,470)	(1,267)
		As at March 31, 2018	As at March 31, 2017
Unrecognised deferred tax asset			
Deductible temporary differences		2,715	2,348
Unrecognised tax losses			
- Unabsorbed depreciation		5,125	8,520
		<u>7,840</u>	<u>10,868</u>

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

	For the year ended March 31, 2018	For the year ended March 31, 2017
Current tax expense/ (reversal)	-	-
Deferred tax expense	-	-
	<u>-</u>	<u>-</u>

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	9,232	6,170
Enacted tax rates in India	34.61%	34.61%
Expected tax expense/(benefit)	3,195	2,135
<i>Effect of :</i>		
Share based payment expenses not deductible for tax purposes	16	29
Unrecognised deferred tax asset on temporary differences	264	(208)
Expenses/income not taxable	(8)	(25)
Recognition of previously unrecognized tax losses	(3,467)	(1,931)
	<u>-</u>	<u>-</u>

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

	Year ended March 31, 2018	Year ended March 31, 2017
32. EXPENDITURE IN FOREIGN CURRENCY		
(i) Expenditure (on accrual basis)		
Royalty	45	130
Legal and professional charges	286	398
Networking costs	4,701	7,196
Other direct costs	384	184
Personnel expenses	761	220
Travelling expenses	11	7
Advertising, selling and marketing expenses	65	17
Others	1,277	1,434
	<u>7,530</u>	<u>9,586</u>
(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	11,278	12,800
Number of shares held	3,90,00,135	3,90,00,135
Amount of dividend paid	468	390
Year to which dividend relates	<u>2016-17</u>	<u>2015-16</u>
33. PAYMENTS TO DIRECTORS (other than managing director and executive director)		
Sitting fees	13	14
Consultancy fees	2	2
	<u>15</u>	<u>16</u>
34. 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	11,683	-
Effect of partly paid shares (Refer note below)	9,68,75,000	9,09,67,466
Weighted average number of equity shares outstanding	<u>15,04,17,470</u>	<u>14,44,98,253</u>
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, 2018, these shares were partly paid up to the extent of ₹ 7.75 (March 31, 2017 - ₹ 7.75) per share. Refer note D (50).		
(b) Weighted average number of shares - Diluted		
Weighted average number of equity shares outstanding	15,04,17,470	14,44,98,253
Dilutive impact of associate stock options*	6,46,569	-
Weighted average number of equity shares for diluted earnings per share	<u>15,10,64,039</u>	<u>14,44,98,253</u>

*The Company has issued Associate Stock Options of which 51,80,440 options are outstanding as at March 31, 2018. These could potentially dilute basic earnings per share in future but are not included in calculation of diluted earnings per share during the financial year ended March 2017, as they are anti-dilutive. Refer Note D(39).

(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, 2018 are as follows:

Particulars	As at March 31, 2018		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalent	USD	12	801
Debtors	GBP	-	-
	USD	109	7,088
	SGD	-	-
	EUR	1	53
			7,141
Amounts payable in foreign currency on account of:			
Creditors	EUR	*	24
	CAD	-	-
	USD	92	5,995
	DHS	*	10
	GBP	-	-
	HKD	*	*
	CHF	-	-
			6,029
Foreign currency long term loan	USD	126	8,237
Foreign currency short term borrowings	USD	73	4,775

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

The details of foreign currency exposure as at March 31, 2017 are as follows:

Particulars	As at March 31, 2017		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalents	USD	21	1349
Debtors	GBP	*	*
	USD	102	6,607
	SGD	-	-
	CHF	-	-
	EUR	*	31
			6,638
Amounts payable in foreign currency on account of:			
Creditors	EUR	1	76
	CAD	*	2
	USD	97	6,275
	DHS	*	7
	GBP	*	8
	CHF	*	*
			6,368
Foreign Currency Long Term Loan	USD	74	4,786
Foreign Currency short term borrowings	USD	220	14,260

*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, 2018	Year ended March 31, 2017
36. EMPLOYEE BENEFITS		
a. Defined benefit plans (Gratuity)		
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	1,098	918
Service cost	296	192
Interest cost	75	69
Remeasurement (gain)/losses	(69)	22
Benefits paid	(84)	(103)
Projected benefit obligation at the end of the year	<u>1,316</u>	<u>1,098</u>
Change in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	207	356
Interest income	14	27
Employer contributions	204	75
Benefits paid	(84)	(103)
Return on plan assets, excluding amount recognised in net interest expense	(16)	(148)
Fair value of plan assets at the end of the year	<u>325</u>	<u>207</u>
Amount recognised in the Balance Sheet		
Present value of projected benefit obligation at the end of the year	1,316	1,098
Fair value of plan assets at the end of the year	(325)	(207)
Funded status amount of liability recognised in the Balance Sheet	<u>991</u>	<u>891</u>
Expense recognised in the Statement of Profit and Loss		
Service cost	296	192
Interest cost	75	69
Interest income	(14)	(27)
Net gratuity costs	<u>357</u>	<u>234</u>
Actual return on plan assets	<u>(2)</u>	<u>(121)</u>
Summary of actuarial assumptions		
Discount rate	7.30% p.a.	6.85% p.a.
Expected rate of return on plan assets	7.00% p.a.	7.00% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.
Average future working life time	4.38 years	4.39 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 taken into account the inflation, seniority, promotion and other relevant factors.

Contributions: The Company expects to contribute ₹ 1,250 to its gratuity fund during the year ending March 31, 2019

(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	As at	
	March 31, 2018	March 31, 2017
1 year	250	195
2 to 5 years	793	667
6 to 10 years	566	451
More than 10 years	344	282

Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2018 and March 31, 2017, by asset category is as follows:

	March 31, 2018	March 31, 2017
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 ended March 31, 2018 and March 31, 2017 are as follows:

Remeasurement (gain) /loss arising from	March 31, 2018	March 31, 2017
- change in demographic assumptions	-	-
- change in financial assumptions	(28)	32
- experience variance	(41)	(10)
- return on plan assets, excluding amount recognised in net interest expense/income	15	148
	<u>(54)</u>	<u>170</u>

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, 2018		March 31, 2017	
	Decrease	Increase	Decrease	Increase
Discount rate (-/+ 1%)	1,381	1,258	1,152	1,049
(% change compared to base due to sensitivity)	4.8%	-4.5%	4.9%	-4.5%
Salary Growth rate (-/+ 1%)	1,259	1,378	1,053	1,146
(% change compared to base due to sensitivity)	-4.4%	4.6%	-4.10%	4.30%

b. Contributions to defined contribution plans

In accordance with Indian law, all employees receive benefits from a 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 contributed ₹ 1,016 and ₹ 839 for the year ended March 31, 2018 and March 31, 2017 respectively.

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

37. SEGMENT REPORTING

The Company's operating segments are as follows:

a. Telecom-centric services	Consists of domestic data, international data, wholesale voice and network managed services
b. Data Center-centric IT Services	
i. Data Center Services	Consists of co-location services
ii. Cloud and Managed Services	Consists of IT infra services, IT transformation services, remote and onsite infrastructure management services and delivery platforms
iii. Technology Integration Services	Consists of data centre build, network integration, end user computing and collaborative tools and solutions
iv. Applications Integration Services	Consists of application development and maintenance, application testing, information security, mobility solutions, e-Learning, portals, tools, process and automation

a. Telecom-centric services:

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 intranets, extranets 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).

b. Data Center-centric IT services:

i. **Data center services:** The Company operates 6 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.

ii. **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.

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

iv. **Applications integration services:** The wide range of web-applications include sales force automation, supply chain management, intranet and extranets, 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 travel, online portfolio management and channels for personal finance, astrology, lifestyle, shopping, movies, sports and news.

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

The company also offers value-added services to organizations such as website design, development, content management, digital certification services, 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, 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.

The Chief Operating Decision Maker ("CODM"), i.e, The Board of Directors and the senior management, evaluate the Company's performance and allocate resources to various strategic business units that are identified based on the products and services that they offer and on the basis of the market served. The measure of profit / loss reviewed by the CODM is "Profit/loss before interest, taxes, depreciation and amortization" also referred to as "segment operating income / loss". Revenue in relation to segments is categorized based on items that are individually identifiable to that segment.

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 "unallocable expenses" and "depreciation, amortisation and impairment" 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, 2018 is presented below:

Particulars	Telecom-centric Services	Data center-centric IT Services*					Total (A)+(B)
		Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total (i+ii+iii+iv)	
	(A)	(i)	(ii)	(iii)	(iv)	(B)	
Revenue from operations	93,610	24,346	7,790	34,033	37,669	1,03,838	1,97,448
Operating expenses	(70,396)	(17,534)	(9,336)	(28,941)	(32,077)	(87,888)	(1,58,284)
Segment operating income / (loss)	23,214	6,812	(1,546)	5,092	5,592	15,950	39,164
Unallocable expenses							(10,576)
Operating income							28,588
Other income							1,827
Foreign exchange gain / (loss), net							72
Profit before interest, depreciation and tax							30,487
Interest income / (expenses), net							(3,736)
Depreciation, amortisation and impairment							(17,519)
Profit before tax							9,232
Income tax expense							-
Profit after taxes							9,232

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

The Company's operating segment information for the year ended March 31, 2017 is presented below:

Particulars	Telecom-centric Services	Data center-centric IT Services*				Total (i+ii+iii+iv)	Total (A)+(B)
		Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services		
	(A)	(i)	(ii)	(iii)	(iv)	(B)	
Revenue from operations	1,00,833	19,751	7,268	24,439	25,636	77,094	1,77,927
Operating expenses	(79,608)	(14,891)	(7,354)	(20,807)	(21,099)	(64,151)	(1,43,759)
Segment operating income / (loss)	21,225	4,860	(86)	3,632	4,537	12,943	34,168
Unallocable expenses							(8,718)
Operating income							25,450
Other income							1,158
Foreign exchange gain / (loss), net							296
Profit before interest, depreciation and tax							26,904
Interest income / (expenses), net							(3,169)
Depreciation, amortisation and impairment							(17,565)
Profit before tax							6,170
Income tax expense							-
Profit after taxes							6,170

*The Chief Operating Decision Maker (CODM) has evaluated and grouped data center services, cloud and managed services, technology integration services and applications integration services into Data center-centric IT services. There are no changes in the components of Telecom service segment. Accordingly, the segment information has been presented.

Geographic segments

The Company has two geographic segments viz., 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, 2018	1,66,494	30,954	1,97,448
Year ended March 31, 2017	1,34,412	43,515	1,77,927

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.

Major Customer

Revenue from one customer of the Company's Data center-centric IT Services segment is ₹ 22,615 (2016-17 ₹ 12,675) which is more than 10% of the Company's total revenue.

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

38. 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 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 year ended March 31, 2018 and March 31, 2017 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%
	Sify Data and Managed Services Limited	India	100%
	Sify Infnit Spaces Limited	India	100%

(b) Related party transactions and balances

Following is a summary of related party transactions for the year ended March 31, 2018:

Transactions	Holding Company	Subsidiaries	Others	Key Management Personnel
Consultancy services received	-	-	-	2
Sitting fees paid	-	-	-	13
Salaries and other short term benefits*	-	-	-	391
Contributions to defined contribution plans*	-	-	-	17
Share based payment transactions*	-	-	-	13
Lease rentals paid**	11	-	45	-
Dividend paid	1,266	-	167	-
Advances given	-	5	-	-
Receipt of services	-	306	-	-
Purchase of goods	-	11	-	-
Rendering of services	-	1,696	-	-
Advances repaid by subsidiaries	-	4	-	-
Investment made	-	500	-	-
Amount of outstanding balances				

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

Transactions	Holding Company	Subsidiaries	Others	Key Management Personnel
Advance lease rentals and refundable deposits made**	-	-	26	-
Trade payable	-	342	-	-
Advances receivable	-	40	-	-
Trade receivable	-	767	-	-
Unearned income	-	210	-	-
Investment	-	6,419	-	-
Lease rentals payable**	-	-	1	-

The following is the summary of the related party transactions for the year ended March 31, 2017

Transactions	Holding Company	Subsidiaries	Others	Key Management Personnel
Consultancy services received	-	-	-	2
Sitting fees paid	-	-	-	14
Salaries and other short term benefits*	-	-	-	393
Contributions to defined contribution plans*	-	-	-	16
Share based payment transactions*	-	-	-	38
Lease rentals paid**	10	-	44	-
Dividend paid	1,020	-	139	-
Advances given	-	35	-	-
Receipt of services	-	315	-	-
Purchase of goods	-	7	-	-
Rendering of services	-	1,355	-	-
Sale of property, plant and equipment	-	2	-	-
Investment made	-	2,500	-	-
Call money received on shares	3000	-	-	-
Amount of outstanding balances	-	-	-	-
Advance lease rentals and refundable deposits made**	-	-	26	-
Trade payable	-	243	-	-
Advances receivable	-	20	-	-
Trade receivable	-	258	-	-
Investment	-	5,919	-	-
Lease rentals payable**	-	-	4	-

**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. The agreement provides 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.

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

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.

* 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.

39. 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, 2018. 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. The Company has granted additional 1,50,000, 5,25,000 and 1,84,300 options to employees during the year 2017-18, 2016-17 and 2015-16 respectively.

The options vest in the following manner :

No of Options	Category	Vesting Pattern
43,04,600	Category I	3/5 th of the options vest at the end of one year from the date of grant. The remaining 2/5 th 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	Category II	2/5 th of the options vest at the end of one year from the date of grant. The remaining 3/5 th vests at the end of every half year during second, third and fourth years in 6 equal instalments.
19,37,800	Category III	2/5 th of the options vest at the end of two years from the date of grant. The remaining 3/5 th 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 2014:

No. of options granted, exercised and forfeited	For the year ended	
	March 31, 2018	March 31, 2017
Outstanding at the beginning of the year	58,37,400	56,65,800
Granted during the year	1,50,000	5,25,000
Forfeited and expired during the year	(6,53,100)	(3,53,400)
Exercised during the year	(1,53,860)	-
Outstanding at the end of the year	51,80,440	58,37,400
Vested and exercisable at the end of the year	43,40,070	37,11,130
Weighted average exercise price in ₹	78.79	73.55
Remaining contractual period	0.06 - 4.81 years	1.80 - 5.79 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

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

expected term is estimated based on the vesting term, contractual term as well as expected exercise behaviour 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, 2018 is furnished below:

	Range of exercise price in ₹	Number outstanding at March 31, 2018	Weighted average exercise price in ₹	Weighted average remaining contractual life
ASOP 2014	57.66 - 82.00	51,80,440	57.66 - 82.00	0.06 - 4.81 years

A summary of information about fixed price stock options outstanding with respect to ASOP 2014 as at March 31, 2017 is furnished below:

	Range of exercise price in ₹	Number outstanding at March 31, 2017	Weighted average exercise price in ₹	Weighted average remaining contractual life
ASOP 2014	60.60 - 82.00	58,37,400	60.60 - 82.00	1.80 - 5.79 years

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

Assumptions

Grant date	Jan 18, 2018
Category	Category III
Current market price	₹ 162.51
Exercise price	₹ 146.23
Expected term	2-5 years
Volatility	53.15% to 97.76%
Dividend yield	12%
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

(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, 2018 and March 31, 2017 are given below:

Particulars	Currency	As at March 31, 2018	As at March 31, 2017
Forward/Option contracts (Sell)	USD	Nil	30
Forward/Option contracts (Buy)	USD	Nil	98
Net (gain) / loss on mark to market in respect of forward/option contracts outstanding	INR	Nil	181

The Company recognized a net loss on the forward contracts of ₹ 75 (Previous year : Net loss of ₹ 143) for the year ended March 31, 2018.

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, 2018	As at March 31, 2017
Forward/Option contracts (Sell)	(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	-	-
Forward/Option contracts (Buy)	(USD)	(USD)
Not later than one month	-	35
Later than one month and not later than three months	-	7
Later than three months and not later than six months	-	56
Later than six months and not later than one year	-	-

ii. Cross Currency Swap:

The Company enters into Cross Currency Swaps (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 contracts is co terminus with the period of the underlying term loans. 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 swap contracts are settled before maturity during current period and there are no outstanding balances as on March 31, 2018.

The details of the outstanding balances as at March 31, 2017 and the mark to market losses recognised during the year ended March 31, 2017 are as under:

Particulars	Value of the outstanding INR term loan	Value of the outstanding USD principal	Mark to Market losses
Tranch 1	345	USD 6	(26)
Tranch 2	577	USD 9	(43)
Tranch 11	453	USD 7	(34)
Total	1,375	USD 22	(103)

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

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, 2018		As at March 31, 2017	
	Payable (USD)	Receivable (INR)	Payable (USD)	Receivable (INR)
Less than 1 year	-	-	9	651
One to two years	-	-	9	587
Two to three years	-	-	6	399
Three to four years	-	-	-	-
Four to five years	-	-	-	-
Total cash flows	-	-	24	1,637

The Company recognized a net loss on the cross currency swaps of ₹ 80 [Previous year : ₹ 277 (gain) - includes mark to market gain of ₹ 103] for the year ended March 31, 2018.

iii. Interest rate swap:

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 loans . 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, 2018		As at March 31, 2017	
	Receivable (USD)	Payable (USD)	Receivable (USD)	Payable (USD)
Less than 1 year	2	3	3	4
One to two years	1	1	2	3
Two to three years	*	*	1	1
Three to four years	-	-	*	*
Four to five years	-	-	-	-
Total cash flows	3	4	6	8

* Amount below rounding off norm adopted by the Company

Total notional amount outstanding as on March 31, 2018 is USD 53 (Previous Year: USD 73)

The Company recognized a net gain on the interest rate swaps of ₹ 16 (includes mark to market gain of ₹ 84) during the year ended March 31, 2018 (Previous year : net gain ₹ 71 including mark to market gain of ₹ 186).

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

b. Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2018 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	88,224	-	-	88,224	88,224
Cash and cash equivalents	20,315	-	-	20,315	20,315
Other financial assets	3,983	-	-	3,983	3,983
Liabilities					
Borrowings from banks	20,213	-	-	20,213	20,213
Borrowings from others	14,646	-	-	14,646	14,646
Bank overdraft	21,215	-	-	21,215	21,215
Finance lease liabilities	1,860	-	-	1,860	1,860
Trade payables	56,619	-	-	56,619	56,619
Other financial liabilities	12,618	-	-	12,618	12,618
Derivative financial instruments	-	17	-	17	17

The carrying value and fair value of financial instruments by each category as at March 31, 2017 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	68,903	-	-	68,903	68,903
Cash and cash equivalents	16,212	-	-	16,212	16,212
Other financial assets	3,231	-	-	3,231	3,231
Liabilities					
Borrowings from banks	25,671	-	-	25,671	25,671
Borrowings from others	8,441	-	-	8,441	8,441
Bank overdraft	9,911	-	-	9,911	9,911
Finance lease liabilities	5,192	-	-	5,192	5,192
Trade payables	49,581	-	-	49,581	49,581
Other financial liabilities	8,143	-	-	8,143	8,143
Derivative financial instruments	-	362	-	362	362

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

Details of financial assets pledged as collateral

The carrying amount of financial assets as at March 31, 2018 and March 31, 2017 that the Company has provided as collateral for obtaining borrowing and other facilities from the bankers are as follows:

	As at March 31, 2018	As at March 31, 2017
Trade receivables	88,224	68,903
Cash and cash equivalents	20,315	16,212
Other financial assets	3,983	3,231
	<u>1,12,522</u>	<u>88,346</u>

c. Fair value measurements:

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

	Fair value as of March 31, 2018			Fair value as of March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivative financial assets-gain on outstanding forward contracts	-	-	-	-	-	-
Liabilities						
Derivative financial liabilities - loss on outstanding option/forward contracts	-	-	-	-	(181)	-
Derivative financial liabilities - loss on outstanding cross currency swaps	-	-	-	-	-	(80)
Derivative financial liabilities - loss on outstanding interest rate swaps	-	-	(17)	-	-	(101)

- 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, 2018	Year ended March 31, 2017
(a) Financial assets at amortised cost		
Interest income on bank deposits	187	236
Interest income on other financial assets	1,030	962
Impairment on trade receivables	(3,700)	(3,803)
(b) Financial assets/liabilities at fair value through profit or loss (FVTPL)		
Net gains/(losses) on fair valuation of derivative financial instruments	84	108
(c) Financial liabilities at amortised cost		
Interest expenses on lease obligations	(312)	(881)
Interest expenses on borrowings from banks, others and overdrafts	(3,816)	(2,739)

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

41. 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. 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, 2018 and March 31, 2017 was as follows:

	As at March 31, 2018	As at March 31, 2017
Other investments	17	17
Trade receivables	88,224	68,903
Cash and cash equivalents	20,315	16,212
Other financial assets	3,983	3,231
	<u>1,12,539</u>	<u>88,363</u>

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	8,255	8,924
Past due 271 - 365 days	2,647	3,421
More than 365 days	8,805	9,554
	<u>19,707</u>	<u>21,899</u>

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

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

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, 2018 amounts to ₹ 68,517 (March 31, 2017: ₹ 47,004) and impairment has not been recorded on the same.

	As at March 31, 2018	As at March 31, 2017
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Details of collateral and other credit enhancements held

Security deposits received for internet access services	5	5
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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, 2018

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	20,213	22,402	9,494	12,092	816
Borrowings from others	14,646	18,519	7,694	8,938	1,887
Bank overdraft	21,215	21,215	21,215	-	-
Finance lease liabilities	1,860	2,103	1,053	1,019	31
Trade payables	56,619	56,619	56,619	-	-
Other financial liabilities	12,618	12,618	12,618	-	-
	1,27,171	1,33,476	1,08,693	22,049	2,734

As at March 31, 2017

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	25,671	27,113	19,743	5,713	1,657
Borrowings from others	8,441	9,155	6,762	2,393	-
Bank overdraft	9,911	9,911	9,911	-	-
Finance lease liabilities	5,192	5,776	3,676	2,100	-
Trade payables	49,581	49,581	49,581	-	-
Other financial liabilities	8,143	8,143	8,143	-	-
	1,06,939	1,09,679	97,816	10,206	1,657

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

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 USD, 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, 2018 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	109	(92)	(200)	(171)
EUR	*	1	*	-	1
DHS	-	-	*	-	*

The Company's exposure to foreign currency risk as at March 31, 2017 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	21	102	(97)	(294)	(268)
EUR	-	*	(1)	-	(1)
GBP	-	*	*	-	*

A 10% strengthening of the rupee against the respective currencies as at March 31, 2018 and March 31, 2017 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 2017.

	Other Comprehensive Income	Profit/(loss)
March 31, 2018	-	1,106
March 31, 2017	-	1,743

A 10% weakening of the rupee against the above currencies as at March 31, 2018 and March 31, 2017 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.

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

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, 2018	March 31, 2017
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	2,963	2,630
Financial liabilities		
- Borrowings from banks	6,094	6,875
- Borrowings from others	14,646	8,441
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	14,119	18,796
- Bank overdrafts	21,215	9,911

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.

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 2017.

	Equity	Profit or (loss)
March 31, 2018	-	(326)
March 31, 2017	-	(242)

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 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, 2018 is ₹ 90,588 (Previous Year: ₹ 83,199).

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:

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

		As at March 31, 2018	As at March 31, 2017
Debt		57,934	49,215
Less: cash and bank balances		(20,315)	(16,212)
Net debt	A	37,619	33,003
Equity	B	90,588	83,199
Net debt to Equity ratio	A/B	42%	40%

No changes were made in the objectives, policies or processes for managing capital of the Company 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 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).

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 it has 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. Also, the Company has received notices for earlier years from DoT claiming Licence fee on the total Income (including income from Non Licensed activities). The Company has replied to these notices stating that licence fees are not payable on income from non-licensed activities. The Company believes that it has adequate legal defenses against these notices and that the ultimate outcome of these actions may 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

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

on DOT from charging the Licence fee on pure internet services. The Company has appropriately accounted for any adverse effect that may arise in this regard in the books of account.

- 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, 2018, 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 ₹ 911 (March 31, 2017: ₹ 374)] on the Company's financial position and results of operations.

44. ADJUSTMENT TO THE SECURITIES PREMIUM ACCOUNT

- a) Pursuant to the approval of the shareholders of the Company at the eleventh Annual General Meeting held on September 24, 2007 and confirmation by the Honourable High Court of Madras vide its Order dated December 13, 2007, accumulated losses of ₹ 116,264 as on April 1, 2007 has been adjusted against the balance in the securities premium account.
- b) 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 accumulated 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 was ₹ 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) 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	4,258
Total	(19,783)
Accumulated loss of subsidiaries as on March 31, 2013:	
Sify Software Limited	(7,874)
Hermit Projects Private Limited	(4)
Total accumulated loss as on March 31, 2013	(27,661)

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.

45. 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.

- 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.

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

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
<i>Adjustments</i>	
Investment value of subsidiary in the company (D)	2,422
Net surplus/(deficit) adjusted in reserves and surplus	(36)

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 was 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.

46. 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, 2018. The capacity under the mentioned facility would be upgraded over a period of time.

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

47. IPO LISTING

In 2006, The Ministry of Finance (MoF), issued a press release by which Indian companies cannot raise new capital abroad unless, the securities of the company are listed on a stock exchange in India. However, by virtue of notification issued by the MoF on October 21, 2014, the issuance of depository receipts has been taken out of the 1993 Scheme and is now regulated by the Depository Receipts Scheme, 2014. The 2014 Scheme allows Indian companies, whether listed or unlisted, to access the international capital markets using depository receipts. Such issuances can either be through a public offering of depository receipts or through a preferential allotment or qualified institutional placement. They can also either be sponsored by the issuer company or unsponsored (such as when an existing shareholder sells its holding through the issue of depository receipts). These issuances are subject to the usual foreign investment regime, including in relation to sectoral caps as well as pricing. Moreover, such issuances are permitted only to investors in certain specific jurisdictions as listed in the 2014 Scheme, which currently consists of a list of 34 countries. The earlier condition of mandatory listing in India is dispensed with.

48. NOTICE OF FAILURE TO SATISFY A CONTINUED LISTING RULE OR STANDARD

On December 27, 2016, Sify Technologies Limited (the “Company”) received a letter from the Listing Qualifications Department of the NASDAQ Stock Market (“NASDAQ”) indicating that, based upon the closing bid price of the Company’s common stock for the last 30 consecutive business days, the Company did not meet the minimum bid price of \$1.00 per share required for continued listing on The NASDAQ Global Select Market pursuant to NASDAQ Listing Rule 5450(a)(1). The letter also indicated that the Company will be provided with a compliance period of 180 calendar days, or until June 26, 2017, in which to regain compliance pursuant to NASDAQ Listing Rule 5810(c)(3)(A). The letter further provided that if, at any time during the 180-day period, the closing bid price of the Company’s common stock is at least \$1.00 for a minimum of ten consecutive business days, NASDAQ will provide the Company with written confirmation that it has achieved compliance with the minimum bid price requirement.

As per the recommendation of the Board of Directors at the Meeting held on June 21, 2017, the Company has replied to the NASDAQ on June 21, 2017 to voluntarily transfer its listing from the Global Select Market to the Capital Market and give an additional 180 days to cure the Minimum Bid Price Deficiency.

The Company had also highlighted the efforts and initiatives of the Senior Management in holding multiple schedule of meetings with Financial Institutions, Retail Investors, Traders and Banks in US to regain compliance.

Taking note of this representation, NASDAQ sent a communication on July 11, 2017 approving the Company’s application to move its American Depositary Shares to NASDAQ Capital Market and granted additional 180 days cure period to consider implementing available options to regain compliance with the minimum bid price requirement, including implementing a reverse stock split, if necessary.

On September 28, 2017, NASDAQ notified the Company that it has regained compliance with Listing Rule 5550(a)(2) and the matter is now closed.

49. DUES TO MICRO SMALL AND MEDIUM 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.

50. 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.

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

As of March 31, 2018, the Company has called-up and received a sum of ₹ 7.75 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, 2018 is ₹ 9,000, which comprises of ₹ 2,813 towards share capital and ₹ 6,187 towards securities premium.

51. 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 ₹ 99 towards CSR in compliance of this requirement. A sum of ₹ 96 has been spent during the current year towards CSR activities as per details given below. The balance amount to be spent is ₹ 3.

Organisation	Amount (₹)	
	2017-18	2016-17
VIRRD Trust, Dwarakha Tirumala	63	70
M/s Jateeya Vidya Seva Samithi	25	-
Sri Hanuman Mani Education & Culture Trust	8	-
Chitoor District Badminton Association	-	10
Dr B R Ambedkar Vidya Academy EM High School	-	3
Special Children Sports Meet	*	1
Book Donations to District Institute of Education and Training, Angaluru	-	*
Total	96	84

* Amount below the rounding off norm adopted by the Company

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

D K Giridharan
Partner
Membership No.: 028738

Chennai
April 24, 2018

Raju Vegesna
Chairman and Managing Director

M P Vijay Kumar
Chief Financial Officer

For and on behalf of the Board of Directors

Ananda Raju Vegesna
Executive Director

V Ramanujan
Company Secretary

C B Mouli
Director

Consolidated Financial Statements
for the year ended March 31, 2018

INDEPENDENT AUDITORS' 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, 2018, 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 relevant rules issued thereunder. 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 financial position of the Group, its financial performance including other comprehensive income, 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 ₹ 1,641.96 lakhs as at March 31, 2018, total revenues of ₹ 6,981.68 lakhs and net cash flows (increase in cash and cash equivalents) amounting to ₹ 285.40 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 ₹ 18.14 lakhs for the year ended March 31, 2018, 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 the relevant rules issued thereunder.

- e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 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, 2018 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 42 (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 to the Significant Accounting Policies in C 10 and Note 39 (a) (Derivative Financial instruments) attached to the Consolidated financial statements; and
 - 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

Place: Chennai

Date : April 24, 2018

Membership No: 028738

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, 2018

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 2018, 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.

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, 2018,

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

Place: Chennai

Date : April 24, 2018

Membership No: 028738

Consolidated Balance Sheet as at March 31, 2018

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

	Note No. (D)	March 31, 2018	March 31, 2017
ASSETS			
(1) Non-current assets			
(a) Property, Plant and Equipment	1	59,947	63,633
(b) Capital work in progress		12,279	2,680
(c) Intangible assets	2	5,648	5,414
(d) Financial assets			
(i) Investments	3	1,457	746
(ii) Trade receivables	4	325	66
(iii) Other financial assets	5	3,628	2,403
(e) Other non-current assets	6	20,992	19,312
		1,04,276	94,254
(2) Current assets			
(a) Inventories	7	6,458	11,820
(b) Financial assets			
(i) Trade receivables	8	88,167	69,487
(ii) Cash and cash equivalents	9	22,523	18,509
(iii) Other financial assets	10	577	847
(c) Other current assets	11	22,632	20,434
		1,40,357	1,21,097
Total Assets		2,44,633	2,15,351
EQUITY AND LIABILITIES			
EQUITY			
(a) Equity Share Capital	12	15,184	15,169
(b) Other Equity	13	74,847	67,457
		90,031	82,626
LIABILITIES			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	21,106	10,676
(ii) Other financial liabilities	15	2,071	2,017
(b) Provisions	16	1,475	1,273
(c) Other non-current liabilities	17	7,761	4,349
		32,413	18,315
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	18	25,978	26,371
(ii) Trade payables	19	57,196	50,727
(iii) Other financial liabilities	20	21,476	18,323
(b) Other current liabilities	21	17,392	18,877
(c) Provisions	16	147	112
		1,22,189	1,14,410
Total Equity and Liabilities		2,44,633	2,15,351

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 Consolidated Balance Sheet

As per our report of even date attached

for ASA & Associates LLP

Chartered Accountants

Firm Registration No.: 009571N/N500006

D K Giridharan

Partner

Membership No.: 028738

Chennai

April 24, 2018

Raju Vegesna

Chairman and Managing Director

M P Vijay Kumar

Chief Financial Officer

For and on behalf of the Board of Directors

Ananda Raju Vegesna

Executive Director

V Ramanujan

Company Secretary

C B Mouli

Director

Consolidated Statement of Profit and Loss for the year ended March 31, 2018

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

	Note No. (D)	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	24	2,06,856	1,84,320
Other income	25	3,190	2,686
Total income		2,10,046	1,87,006
EXPENSES			
Cost of services rendered	26 A	99,182	91,221
Purchase of stock-in-trade	26 B	20,700	25,042
Changes in inventories	26 C	5,362	(4,406)
Employee benefits expense	27	25,675	21,595
Finance costs	28	4,968	4,371
Depreciation and amortisation expense	1 and 2	17,545	17,588
Other expenses	29	27,379	25,164
Total expenses		2,00,811	1,80,575
Profit before tax		9,235	6,431
Tax expense	31	(2)	(7)
Profit after tax		9,233	6,424
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Remeasurements of net defined benefit liability/asset	35	54	(170)
<i>Items that will be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		15	(76)
Total other comprehensive income		69	(246)
Total comprehensive income for the year		9,302	6,178
Earnings per equity share (₹ 10 paid up)	33		
Basic		6.14	4.45
Diluted		6.11	4.45
Earnings per equity share ₹ 7.75 (March 31, 2017 : ₹ 7.75) paid up	33		
Basic		4.76	3.45
Diluted		4.74	3.45

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 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

D K Giridharan

Partner

Membership No.: 028738

Chennai

April 24, 2018

Raju Vegesna

Chairman and Managing Director

M P Vijay Kumar

Chief Financial Officer

For and on behalf of the Board of Directors

Ananda Raju Vegesna

Executive Director

V Ramanujan

Company Secretary

C B Mouli

Director

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

Consolidated Statement of Changes in Equity for the year ended March 31, 2018

A. Equity Share Capital

	For the year ended	
	March 31, 2018	March 31, 2017
Balance at the beginning of the year	15,169	14,231
Change in Equity Share Capital during the year	15	938
Balance at the end of the year	15,184	15,169

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	
2016-17							
Balance as at April 1, 2016* - (A)	1,87,374	539	(1,28,218)	637	202	224	60,758
Profit for the year	-	-	6,424	-	-	-	6,424
Other comprehensive income	-	-	-	-	(76)	(170)	(246)
Total comprehensive income for the year 2016-17 - (B)	-	-	6,424	-	(76)	(170)	6,178
Employee stock compensation cost for the year	-	-	-	176	-	-	176
Transferred from stock options outstanding account	-	65	-	(65)	-	-	-
Call money received	2,062	-	-	-	-	-	2,062
Transaction costs related to equity	-	-	(20)	-	-	-	(20)
Dividend paid (Including dividend distribution tax) for 2015-16 approved by shareholders in annual general meeting held on July 4, 2016	-	-	(1,697)	-	-	-	(1,697)
Balance as at March 31, 2017 - (C)	1,89,436	604	(1,23,511)	748	126	54	67,457
Accumulated losses dealt with vide order of Honourable High Court of Madras [Refer Note D (43) (a)] - (D)	(1,16,264)	-	1,16,264	-	-	-	-
Accumulated losses dealt with vide scheme of merger as per contra [Refer note D (43) (b)] - (E)	(27,661)	-	27,661	-	-	-	-
Amount carried forward to Balance Sheet [(F) = (C)+(D)+(E)]	45,511	604	20,414	748	126	54	67,457

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

B. Other Equity (Continued)

	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	
2017-18							
Balance as at April 1, 2017* - (A)	1,89,436	604	(1,23,511)	748	126	54	67,457
Profit for the year	-	-	9,233	-	-	-	9,233
Other comprehensive income	-	-	-	-	15	54	69
Total comprehensive income for the year 2017-18 - (B)	-	-	9,233	-	15	54	9,302
Employee stock compensation cost for the year	-	-	-	69	-	-	69
Transferred from stock options outstanding account	27	29	-	(56)	-	-	-
Additions to securities premium on issue of shares on exercise of ASOP	106	-	-	-	-	-	106
Dividend paid (Including dividend distribution tax) for 2016-17 approved by shareholders in annual general meeting held on July 6, 2017	-	-	(2,087)	-	-	-	(2,087)
Balance as at March 31, 2018 - (C)	1,89,569	633	(1,16,365)	761	141	108	74,847
Accumulated losses dealt with vide order of Honourable High Court of Madras [Refer Note D (43) (a)] - (D)	(1,16,264)	-	1,16,264	-	-	-	-
Accumulated losses dealt with vide scheme of merger as per contra [Refer note D (43) (b)] - (E)	(27,661)	-	27,661	-	-	-	-
Amount carried forward to Balance Sheet [(F) = (C)+(D)+(E)]	45,644	633	27,560	761	141	108	74,847

*Balance at 1.4.2016 and 1.4.2017 of Securities Premium and Retained Earnings are before adjustment of Accumulated Losses with Securities Premium as detailed in Note D (43) (a) and D (43) (b).

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 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

D K Giridharan

Partner

Membership No: 028738

Chennai

April 24, 2018

Raju Vegesna

Chairman and Managing Director

M P Vijay Kumar

Chief Financial Officer

Ananda Raju Vegesna

Executive Director

V Ramanujan

Company Secretary

C B Mouli

Director

For and on behalf of the Board of Directors

Consolidated Cash Flow Statement for the year ended March 31, 2018

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

	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit before tax	9,235	6,431
Adjustments for :		
Depreciation and amortisation expense	17,545	17,588
Finance expenses (considered separately)	4,968	4,371
Allowance for doubtful debts	3,700	3,835
Employee stock compensation expense	69	176
Amortisation of lease prepayments	217	159
Unrealised foreign exchange fluctuation loss/(gain), net	(19)	(683)
Interest income (considered separately)	(1,293)	(1,226)
(Profit) /loss on sale of Property, Plant and Equipment (net)	(26)	(11)
Operating profit / (loss) before working capital changes	34,396	30,640
(Increase)/decrease in trade receivables - current	(22,248)	(18,621)
(Increase)/decrease in non current trade receivables	(259)	(8)
(Increase)/decrease in inventories	5,362	(4,406)
(Increase)/decrease in other financial assets - current	312	182
(Increase)/decrease in other financial assets - non current	(1,043)	(339)
(Increase)/decrease in other non current assets	(2,446)	(1,643)
(Increase)/decrease in other current assets	(1,740)	(239)
Increase/(decrease) in trade payables	6,739	10,288
Increase/(decrease) in other non current financial liabilities	54	(34)
Increase/(decrease) in other non current liabilities	3,412	534
Increase/(decrease) in other financial liabilities -current	294	1,155
Increase/(decrease) in other current liabilities	(1,485)	3,310
Increase/(decrease) in provisions - non current	256	240
Increase/(decrease) in provisions - current	35	25
Cash generated from operations	21,639	21,084
Tax (paid)/refund received	(460)	81
Net cash generated from operating activities	(A) 21,179	21,165
Cash flow from investing activities		
Purchase of Property, Plant and Equipment	(18,322)	(20,392)
Investments in corporate debt securities	(711)	(729)
Sale proceeds of Property, Plant and Equipment	24	23
Interest income received	1,070	1,294
Net cash used in investing activities	(B) (17,939)	(19,804)
Cash flow from financing activities		
Proceeds from long-term borrowings	23,972	12,291
Repayment of long-term borrowings	(15,649)	(17,582)
Increase/(decrease) in short-term borrowings	(11,925)	5,698
Proceeds from issue of share capital	121	3,000
Transaction costs related to equity	-	(20)
Dividend paid	(1,734)	(1,410)
Dividend distribution tax paid	(353)	(287)
Interest paid	(4,914)	(4,267)
Net cash used in financing activities	(C) (10,482)	(2,577)
Effect of exchange differences on translation of cash and cash equivalents	(D) (48)	(36)
Net increase/(decrease) in cash and cash equivalents during the year	(A) + (B) + (C) + (D) (7,290)	(1,252)
Cash and cash equivalents at the beginning of the year	8,598	9,850
Cash and cash equivalents at the end of the year# [Refer Note D (9)]	1,308	8,598
# Cash and cash equivalents subject to lien [Refer Note D (9)]	2,604	2,295
Non-Cash financing and investing activities		
Purchase of property, plant and equipment by means of financial lease	697	1,687

The amendment to Ind AS 7 require disclosure of changes in liabilities arising from financing activities [Refer Note D (30)]
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 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 24, 2018

M P Vijay Kumar
Chief Financial Officer

V Ramanujan
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, Sify Technologies North America Corporation, Sify Data and Managed Services Limited and Sify Infinit Spaces Limited (are together referred to as the 'Group' and individually as 'Group entities'). The Group offers converged ICT solutions comprising telecom-centric services, Data Center-centric IT services which includes Data Center services, cloud and managed services, applications integration services and technology integration services. The Company was incorporated on December 12, 1995 and is listed on the NASDAQ Capital Market. The financial statements are for the Group consisting of Sify Technologies Limited (the 'Company') and its subsidiaries.

B BASIS OF PREPARATION

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 certain financial instruments which are measured on fair value basis. GAAP comprises Indian Accounting Standards (Ind AS) as notified under 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, 2018 have been prepared in accordance with Ind AS, duly approved by the Board of Directors at its meeting held on April 24, 2018.

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.
- Share-based payments
- 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. Amended Standards adopted by the Group

The amendment to Ind AS 7 require disclosure of changes in liabilities arising from financing activities (Refer Note D 30)

The Group has adopted amendment to Ind AS 102, which provides specific guidance to measurement of cash-settled share-based payment transactions, share-based payment transactions with a net settlement feature for withholding tax obligations and accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled transaction. The adoption of amendment did not have any material effect on the financial statements.

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

4. 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 Technologies Limited and its Indian subsidiaries viz., Sify Infinit Spaces Limited and Sify Data and Managed Services Limited. 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.

5. Use of estimates and Judgements

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, judgements 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

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

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 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 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 Group 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 financial assets at amortised cost:

- a) Trade receivable
- b) Investment in debt securities
- c) 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 Group classifies the same either as at FVTOCI or FVTPL. 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 assets 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

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

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 and 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 Group is classifying the following financial liabilities at 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 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 and 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.

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

(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 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 of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchases taxes, after deducting trade discounts and rebates and includes expenditure 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.

Amount paid as advances towards the acquisition

of property, plant and equipment is disclosed separately under other non-current assets as capital advances and the cost of assets not put to use as on balance sheet date are disclosed under Capital work-in-progress.

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 or 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 the contract period. Management's estimated useful lives for the year ended March 31, 2018 and March 31, 2017 were as follows:

	Estimate of useful life in years	Useful life prescribed by Schedule II (in years)
Buildings	28	30
Plant and equipment		
- Tower, telecom ducts, cables and optical fibre	3 - 8	18
- Telecom transceivers	8	13
- Computer laptops/desktop	3	3
- Computer servers	5	6
Furniture and fittings	5	10
Office equipment	5	10
Motor vehicles	3	8

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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 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.

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 lease 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 unless such payments are structure in line with the expected general inflation to compensate for the lessors expected inflationary cost increases.

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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.

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 (including expected 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 contracts 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 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:

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

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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 Group, as detailed below:

(a) Defined contribution plan (Provident fund):

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no 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. The Group makes specified monthly contribution towards Government administered provident fund scheme. The Group also contributes to 401(K) plan on behalf of eligible employees. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit and loss in the periods during which the related services are rendered by employees.

(b) Defined benefit plans (Gratuity):

In accordance with applicable Indian laws, the Group provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Group. The gratuity fund is managed by the Life Insurance Corporation of India (LIC). The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting any unrecognized past service cost and the fair value of any plan assets.

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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), are recognised in other comprehensive income and presented within equity. Remeasurements are not reclassified to profit or loss in subsequent periods. Service costs, net interest expenses and other expenses related to defined benefit plans are recognised in profit or loss.

(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 on grant date, (equity-settled share based payments) 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

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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 the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, value added taxes, goods and service tax (GST) and amounts collected on behalf of third parties. 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 includes 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.

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(b) Data Center Services (DC):

Revenues from DC services consists co-location of 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 includes 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 comprises 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 includes System Integration Services, revenue from construction of data centers, security solutions, 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.

(e) Applications Integration Services:

Revenue from Applications Integration services includes online assessment, document management services, web development, mailing solutions, supply chain software, digital certificate based authentication services and e-learning software development services. E-learning software development services consists 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.

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.

Multiple deliverable arrangements

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.

Unearned income

Unearned income represents unserved portion of billed contracts.

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16. Finance income

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.

17. Finance expense

Finance expense comprises borrowing costs, 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.

Borrowing costs

Borrowing costs are interest and other costs (including exchange difference relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Interest expense is recognised using effective interest method.

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 deferred tax 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;
- (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, and
- (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 Group 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.

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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 income, 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 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.

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

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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 expected to be realised beyond twelve months, 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 behaviour), 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; or
- (d) it has no unconditional right to defer the settlement of the liability for at least 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.

23. Recent accounting pronouncements

New Standards and interpretations not yet adopted

The Ministry of Corporate Affairs (MCA) vide notification dated March 28, 2018 has issued new standard, Ind AS 115 - Revenue from contracts with customers and also amended Ind AS 40 - Investment property, Appendix to IND AS 21 - The

effects of changes in foreign exchange rates, Ind AS 12 - Income taxes, Ind AS 28 - Investments in associates and joint ventures and Ind AS 112 - Disclosure of interest in other entities.

- a) Ind AS 115 - Revenue from contracts with customers

The core principle of the new standard is that an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method.

The Group will adopt the standard on April 1, 2018 by using the cumulative effect transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted.

The effective date for adoption of Ind AS 115 is annual periods beginning on or after April 1, 2018. The effect on adoption of Ind AS 115 on Statement of Profit and Loss is not expected to be significant and the Group will recognise the effect of initial application in the opening retained earnings as per the transitional provisions prescribed under this Standard.

- b) Ind AS 40 - Investment property

The amendment lays down the principle regarding when an entity should transfer asset to, or from, investment property.

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the

definition of investment property and there is evidence of the change in use.

The effective date for adoption of amendments are annual periods beginning on or after April 1, 2018. The Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

- c) Ind AS 21 - The effects of changes in foreign exchange Rates

The amendment clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The effective date for adoption of the amendment is annual reporting periods beginning on or after April 1, 2018 (Retrospective application is permitted). The Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

- d) Ind AS 12 - Income taxes

The amendment lays down the principles regarding offsetting of deductible temporary differences against each other on combined basis or individual basis in accordance with the tax laws. The amendments are applicable retrospectively for annual periods beginning on or after April 1, 2018. The effect of amendment to Ind AS 12 is expected to be insignificant.

Other amendments to Ind AS 28 - Investments in associates and joint ventures and Ind AS 112 - Disclosure of interest in other entities are applicable retrospectively for annual periods beginning on or after April 1, 2018. The Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

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

D. Notes to Accounts**1. Property, Plant and Equipment**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2018

Particulars	ORIGINAL COST			DEPRECIATION			NET BOOK VALUE		
	As at April 1, 2017	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at April 1, 2017	For the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at March 31, 2017
Owned assets									
Buildings	20,131	-	-	20,131	4,705	718	-	14,708	15,426
(As at April 1 2014)	(15,218)	-	-	(15,218)	(2,738)	-	-	(12,480)	(12,480)
Plant and equipment	1,03,321	9,768	920	1,12,169	69,566	9,394	264	33,473	33,755
(As at April 1 2014)	(67,887)	-	(437)	(67,450)	(46,383)	-	(159)	(21,226)	(21,504)
Furniture and fittings	1,570	15	8	1,577	1,500	46	9	40	70
(As at April 1 2014)	(1,417)	-	(8)	(1,409)	(1,369)	-	(3)	(43)	(48)
Office equipment	4,895	1,069	12	5,952	2,849	658	12	2,457	2,046
(As at April 1 2014)	(2,327)	-	(12)	(2,315)	(1,822)	-	(2)	(495)	(505)
Leasehold improvements	9,258	1,563	2	10,819	5,993	1,080	2	3,748	3,265
(As at April 1 2014)	(4,960)	-	(2)	(4,958)	(4,003)	-	-	(955)	(957)
Motor vehicles	72	-	-	72	12	24	-	36	60
(As at April 1 2014)	-	-	-	-	-	-	-	-	-
Assets acquired under lease									
Building	2,911	-	-	2,911	1,080	103	-	1,728	1,831
(As at April 1 2014)	(2,911)	-	-	(2,911)	(771)	-	-	(2,140)	(2,140)
Plant and machinery	24,690	697	-	25,387	17,510	4,120	-	3,757	7,180
(As at April 1 2014)	(11,005)	-	-	(11,005)	(2,913)	-	-	(8,092)	(8,092)
Motor vehicles	29	-	-	29	29	-	-	-	-
(As at April 1 2014)	(29)	-	-	(29)	(28)	-	-	(1)	(1)
(As at April 1 2014)	1,66,877	13,112	942	1,79,047	1,03,244	16,143	287	59,947	63,633
(As at April 1 2014)	(1,05,754)	-	(459)	(1,05,295)	(60,027)	-	(164)	(45,432)	(45,727)

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

The following table presents the changes in property, plant and equipment during the year ended March 31, 2017

Particulars	ORIGINAL COST			DEPRECIATION			NET BOOK VALUE		
	As at April 1, 2016	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at April 1, 2016	For the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at March 31, 2016
Owned assets									
Buildings	20,131	-	-	20,131	3,986	719	-	15,426	16,145
(As at April 1 2014)	(15,218)	-	-	(15,218)	(2,738)	-	-	(12,480)	(12,480)
Plant and equipment	88,419	15,133	231	1,03,321	61,343	8,442	219	33,755	27,076
(As at April 1 2014)	(68,115)	-	(228)	(67,887)	(46,589)	-	(206)	(21,504)	(21,526)
Furniture and fittings	1,544	41	15	1,570	1,468	47	15	70	76
(As at April 1 2014)	(1,432)	-	(15)	(1,417)	(1,384)	-	(15)	(48)	(48)
Office equipment	3,802	1,100	7	4,895	2,325	531	7	2,046	1,477
(As at April 1 2014)	(2,334)	-	(7)	(2,327)	(1,828)	-	(6)	(505)	(506)
Leasehold improvements	8,637	642	21	9,258	5,102	912	21	3,265	3,535
(As at April 1 2014)	(4,981)	-	(21)	(4,960)	(4,024)	-	(21)	(957)	(957)
Motor vehicles	-	72	-	72	-	12	-	60	-
(As at April 1 2014)	-	-	-	-	-	-	-	-	-
Assets acquired under lease									
Building	2,911	-	-	2,911	977	103	-	1,831	1,934
(As at April 1 2014)	(2,911)	-	-	(2,911)	(771)	-	-	(2,140)	(2,140)
Plant and machinery	23,003	1,687	-	24,690	11,874	5,636	-	7,180	11,129
(As at April 1 2014)	(11,005)	-	-	(11,005)	(2,913)	-	-	(8,092)	(8,092)
Motor vehicles	29	-	-	29	29	-	-	-	-
(As at April 1 2014)	(29)	-	-	(29)	(28)	-	-	(1)	(1)
(As at April 1 2014)	1,48,476	18,675	274	1,66,877	87,104	16,402	262	63,633	61,372
(As at April 1 2014)	(1,06,025)	-	(271)	(1,05,754)	(60,275)	-	(248)	(45,727)	(45,750)

Notes

- Refer note D (14) and D (18) for security given for borrowings.
- Refer note D (22)(b) for capital commitments.
- The group had elected to continue with the carrying amount of property, plant and equipment measured as per previous GAAP and use that as its deemed cost as at the date of transition to Ind AS (i.e. 1st April 2014). The carrying value as on Balance Sheet date of those property, plant and equipment existing as on date of transition are given in brackets.

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

2. Intangible assets

The following table presents the changes in intangible assets during the year ended March 31, 2018

Particulars	ORIGINAL COST			AMORTISATION			NET BOOK VALUE			
	As at April 1, 2017	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at April 1, 2017	For the year	Deletions/ Adjustments during the year	As at March 31, 2018	As at March 31, 2017	
Undersea cable capacity	6,424	-	-	6,424	2,474	569	-	3,043	3,381	3,950
(As at April 1 2014)	(5,533)	-	-	(5,533)	(922)	-	-	(922)	(4,611)	(4,611)
System software	6,521	1,636	-	8,157	5,448	806	-	6,254	1,903	1,073
(As at April 1 2014)	(4,589)	-	-	(4,589)	(4,044)	-	-	(4,044)	(545)	(545)
License fees	730	-	-	730	339	27	-	366	364	391
(As at April 1 2014)	(500)	-	-	(500)	(238)	-	-	(238)	(262)	(262)
Customer related intangibles	1,824	-	-	1,824	1,824	-	-	1,824	-	-
(As at April 1 2014)	(1,824)	-	-	(1,824)	(1,824)	-	-	(1,824)	-	-
	15,499	1,636	-	17,135	10,085	1,402	-	11,487	5,648	5,414
(As at April 1 2014)	(12,446)	-	-	(12,446)	(7,028)	-	-	(7,028)	(5,418)	(5,418)

(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, 2017

Particulars	ORIGINAL COST			AMORTISATION			NET BOOK VALUE		
	As at April 1, 2016	Additions during the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at April 1, 2016	For the year	Deletions/ Adjustments during the year	As at March 31, 2017	As at March 31, 2016
Undersea cable capacity	6,424	-	-	6,424	1,910	564	-	2,474	4,514
(As at April 1 2014)	(5,533)	-	-	(5,533)	(922)	-	-	(922)	(4,611)
System software	5,801	720	-	6,521	4,853	595	-	5,448	948
(As at April 1 2014)	(4,589)	-	-	(4,589)	(4,044)	-	-	(4,044)	(545)
License fees	730	-	-	730	312	27	-	339	418
(As at April 1 2014)	(500)	-	-	(500)	(238)	-	-	(238)	(262)
Customer related intangibles	1,824	-	-	1,824	1,824	-	-	1,824	-
(As at April 1 2014)	(1,824)	-	-	(1,824)	(1,824)	-	-	(1,824)	-
	14,779	720	-	15,499	8,899	1,186	-	10,085	5,880
(As at April 1 2014)	(12,446)	-	-	(12,446)	(7,028)	-	-	(7,028)	(5,418)

Note

- (a) The group had elected to continue with the carrying amount of intangible assets measured as per previous GAAP and use that as its deemed cost as at the date of transition to Ind AS (i.e 1st April 2014). The carrying value as on Balance Sheet date of those intangible assets existing as on date of transition are given in brackets.

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

	As at March 31, 2018	As at March 31, 2017
3. INVESTMENTS - NON-CURRENT		
<i>Trade Investments</i>		
Investment in equity of others - unquoted [Refer note (a) below]		
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2017: 15,000) equity shares of ₹ 10 each fully paid up]	2	2
Investment in Sarayu Clean Gen Pvt Ltd [1,56,000 (March 31, 2017: 1,56,000) equity shares of ₹10 each fully paid up]	15	15
Investment in unquoted debt securities [Refer note (b) below]		
Investment in Attala Systems Corporation #	1440	729
	<u>1457</u>	<u>746</u>
Aggregate cost of unquoted investments	1,457	746
# Unsecured convertible promissory note of \$22.14 with Attala Systems Corporation, of which \$ 7.5 (₹ 479), \$ 3.75 (₹ 240), \$ 3.75 (₹ 240), \$ 5.00 (₹ 319) and \$ 2.14 (₹ 162) matures on 17 th October 2019, 4 th January 2020, 4 th April 2020 , 30 th October 2020 and 1 st January 2021 respectively. The note bears interest at a rate of five percent (5%). The promissory note is convertible to equity securities under specific terms based on triggering events as defined in the agreement.		
Note:		
a. The Group has classified Investments in equity of others - unquoted as at FVTOCI.		
b. The Group has classified Investments in debt securities - unquoted as at amortised cost.		
4. TRADE RECEIVABLES - NON-CURRENT		
Long term trade receivables (Unsecured, considered good)	325	66
	<u>325</u>	<u>66</u>
5. OTHER FINANCIAL ASSETS - NON-CURRENT		
Security deposits	3,198	2,054
Interest accrued on investments	71	15
Bank deposits*	359	334
	<u>3,628</u>	<u>2,403</u>
* 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	2,761	5,602
Others:		
Prepaid expenses	4,721	3,469
Lease prepayments	13,500	10,228
Unbilled revenue	10	13
	<u>20,992</u>	<u>19,312</u>
7. INVENTORIES		
Trade inventories	6,458	11,820
	<u>6,458</u>	<u>11,820</u>

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

	As at March 31, 2018	As at March 31, 2017
8. TRADE RECEIVABLES		
Secured, considered good	5	5
Unsecured, considered good	88,162	69,482
Unsecured, considered doubtful*	2,092	2,342
	<u>90,259</u>	<u>71,829</u>
Less: Allowance for doubtful receivables**	(2,092)	(2,342)
	<u>88,167</u>	<u>69,487</u>

* Trade receivables for which loss allowance has been made are classified as doubtful.

**The activity in allowance for doubtful receivables is given below:

	For the year ended March 31, 2018	For the year ended March 31, 2017
Balance at the beginning of the year	2,342	2,091
Add: Additional allowance during the year	3,700	3,835
Less: Bad debts written off	(3,950)	(3,584)
Balance at the end of the year	<u>2,092</u>	<u>2,342</u>

9. CASH AND CASH EQUIVALENTS

	As at March 31, 2018	As at March 31, 2017
(a) Balance with banks		
(i) in current accounts	18,746	14,230
(ii) deposits	1,168	1,863
(b) Other bank balances		
(i) Bank deposits [Refer note below]	2,604	2,295
(ii) Unpaid dividend account	*	*
(c) Cheques on hand	-	116
(d) Cash on hand	5	5
	<u>22,523</u>	<u>18,509</u>

*amount is below rounding off norm adopted by the Group

Note:

Balances in deposit accounts subject to lien in favour of banks for obtaining bank guarantees /letter of credits

2,604 2,295

Cash and cash equivalents for the purpose of Cash Flow Statement:

Cash and cash equivalents as above	22,523	18,509
Less: Bank overdraft used for cash management purposes [Refer note 18 (d)]	(21,215)	(9,911)
	<u>1,308</u>	<u>8,598</u>

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

	As at March 31, 2018	As at March 31, 2017
10. OTHER FINANCIAL ASSETS		
Security deposits	503	815
Interest accrued on advances and deposits	74	32
	<u>577</u>	<u>847</u>
11. OTHER CURRENT ASSETS		
Advances other than capital advances:		
Balances with GST, service tax and sales tax authorities	2,755	2,718
Prepaid expenses	3,968	2,732
Advance tax and tax deducted at source	13,215	12,757
Unbilled revenue	566	415
Lease prepayments	221	173
Other advances	1,907	1,639
(A)	<u>22,632</u>	<u>20,434</u>
<i>Unsecured, considered doubtful</i>		
Advances other than capital advances	994	1,449
Less: Provision for doubtful advances [Refer Note (a) below]	(994)	(1,449)
(B)	<u>-</u>	<u>-</u>
(A) +(B)	<u>22,632</u>	<u>20,434</u>
(a) The activity in allowance for doubtful advances are given below:		
Balance at the beginning of the year	1,449	1,381
Add: Additional provision during the year	102	68
Less: Advance written off / adjustments	(557)	
Balance at the end of the year	<u>994</u>	<u>1,449</u>
12. EQUITY SHARE CAPITAL		
Authorized		
20,40,00,000 (March 31, 2017: 20,40,00,000) equity shares of ₹10 each	20,400	20,400
Issued		
17,86,84,647 (March 31, 2017: 17,85,30,787) equity shares of ₹10 each	17,868	17,853
Subscribed and fully paid		
5,36,84,647 (March 31, 2017: 5,35,30,787) equity shares of ₹10 each fully paid up	5,368	5,353
Subscribed but not fully paid		
12,50,00,000 (March 31, 2017: 12,50,00,000) equity shares of ₹10 each partly paid up [Refer note (c) below]	9,688	9,688
	<u>15,056</u>	<u>15,041</u>
Forfeited shares		
Amount originally paid up on 1,28,23,202 equity shares	128	128
	<u>15,184</u>	<u>15,169</u>

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

- (a) The equity shares are the only class of share capital having a par value of ₹10 per share. Of the above, 3,91,53,995 (Previous year : 3,90,00,135) shares are represented by American Depository Shares ('ADS') issued by the Group in accordance with applicable laws and regulations.
- (b) 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.
- (c) 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 March 31, 2018, these shares are partly paid to the extent of ₹7.75 (March 31, 2017: ₹7.75) 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).
- (d) Of the total outstanding shares, 12,50,00,000 shares (March 31, 2017: 12,50,00,000) are held by M/s Ramanand Core Investment Company Private Limited, holding company
- (e) 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 (38) 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, 2018		As at March 31, 2017	
	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	15,169	17,85,30,787	14,231
Add: Shares issued on exercise of ASOP	1,53,860	15	-	-
Add: Call money received	-	-	-	938
Number of shares outstanding at the end of the year	17,86,84,647	15,184	17,85,30,787	15,169

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

	As at March 31, 2018		As at March 31, 2017	
	Number of Shares held	% holding	Number of Shares held	% holding
Ramanand Core Investment Company Private Limited@	12,50,00,000	69.96%	12,50,00,000	70.02%
Infinity Satcom Universal Private Limited	1,45,30,000	8.13%	1,45,30,000	8.14%
Infinity Capital Ventures, LP	1,39,02,860	7.78%	1,39,02,860	7.79%

@ These shares are partly paid-up to the extent of ₹ 7.75 per share (March 31, 2017: ₹ 7.75 per share)
Also refer note D (48)

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

	As at March 31, 2018	As at March 31, 2017
13. OTHER EQUITY		
13.1 Reserves and surplus		
Securities premium		
Securities premium account balance	1,89,436	1,87,374
Add: transfer from Stock option outstanding account in respect of options exercised during the year	27	-
Add: additions during the year	106	2,062
(A)	<u>1,89,569</u>	<u>1,89,436</u>
General reserve		
Balance at the beginning of the year	604	539
Add: Transferred from stock options outstanding account	29	65
(B)	<u>633</u>	<u>604</u>
Retained earnings		
Opening balance	20,414	15,707
Adjustments:		
Add: Profit for the year	9,233	6,424
Less: Transaction costs related to equity	-	(20)
Less: Appropriations		
Dividend paid [₹ 1.2 per share (PY: ₹ 1 per share)]	(1,734)	(1,410)
Dividend distribution tax paid	(353)	(287)
(C)	<u>27,560</u>	<u>20,414</u>
(D) = (A)+(B)+(C)	<u>2,17,762</u>	<u>2,10,454</u>
Less: Accumulated losses dealt with vide order of Honourable High Court of Madras [Refer Note D (43) (a)]	(1,16,264)	(1,16,264)
Less: Accumulated losses dealt with vide scheme of merger [Refer Note D (43) (b)]	(27,661)	(27,661)
(E)	<u>73,837</u>	<u>66,529</u>
13.2 Other components of Equity		
Stock option outstanding account		
Opening Balance	748	637
Add: Employee stock compensation cost for the year	69	176
Less: Transfer to securities premium in respect of options exercised during the year	(27)	-
Less: Transfer to general reserve in respect of grants lapsed during the year	(29)	(65)
(F)	<u>761</u>	<u>748</u>
Exchange differences on translation of foreign operations		
Balance at the beginning of the year	126	202
Add: Additions during the year	15	(76)
(G)	<u>141</u>	<u>126</u>
Remeasurement of net defined benefit liability/asset		
Opening Balance	54	224
Add: Additions during the year	54	(170)
(H)	<u>108</u>	<u>54</u>
(E)+(F)+(G)+(H)	<u>74,847</u>	<u>67,457</u>

Proposed Dividend: Dividend proposed to be distributed but not recognised as distribution to owners during the year amounted to ₹ 1,807 (₹ 1.2 per share) and the dividend distribution tax thereon amounts to ₹ 371). [Previous year: Dividend proposed ₹ 1,734 (₹ 1.2 per share) and the dividend distribution tax thereon amounted to ₹ 353].

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

	As at March 31, 2018	As at March 31, 2017
14. BORROWINGS		
14.1. Term Loans		
Secured		
From banks [Refer Note (a) to (c) below]	6,780	6,605
From others [Refer Note (d) to (e) below]	-	548
Unsecured		
From banks [Refer Note (f)]	4,792	-
From others [Refer Note (g) to (h)]	8,565	1,666
(A)	20,137	8,819
14.2. Finance lease obligations		
Long term maturities of finance lease obligations [Refer Note (i) to (k)]	969	1,857
(B)	969	1,857
(A) + (B)	21,106	10,676

- a. Of total balance of ₹10,658 including current maturities (Previous Year: ₹ 9,211) an amount of ₹875 (Previous Year: ₹1,375) 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).
- b. An amount of ₹ 1,828 (Previous Year: ₹ 2,235) is primarily secured by equitable mortgage of title deeds of property of the company at Rabale in Mumbai and ₹ 1,601 (Previous Year: ₹ 2,551) is secured by plant and machinery at 4th floor and ₹ 2,500 (Previous Year: ₹ 1,757) is secured by specific plant and machinery at first, sixth, seventh and ground floor at Rabale data centre and ₹ 554 (Previous Year: ₹ 1,293) is secured by property at fifth floor, Vashi in Mumbai. An amount of ₹ 3,299 is secured by plant and machinery and collaterally by all securities currently charged to working capital lines from the concerned bank as mentioned in note 18(b)(ii).
- c. The term loans bear interest rate ranging from 3.50% to 4.50% plus 6 months LIBOR in the case of Foreign currency term loans and 8.65% to 9.50% for others (Previous Year: 9.30% to 12.00%) 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.
- d. These loans are primarily taken from NBFCs and are secured by charge on relevant assets.
- e. The loans bear interest rate ranging from 9.00% to 12.50% (Previous Year: 9.00% to 12.50%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
- f. These loans are primarily buyers' credit from banks which are repayable over a period of 1 to 3 years. The loans bear interest rate ranging from 2.8% to 3.2%.
- g. These loans are primarily taken from NBFCs
- h. The loans bear interest rate ranging from 8.59% to 12.50% (Previous Year: 9.00% to 12.50%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
- i. These loans are primarily taken from NBFCs and are secured by lease of relevant assets.
- j. The loans bear interest rate ranging from 10.20% to 12.00% (Previous Year: 10.85% to 12.00%) and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.
- k. 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, 2018	As at March 31, 2017
The current maturities of borrowings are as under:		
Secured		
Term loan from banks	3,878	2,606
Loan from others	548	1,024
Current maturities of finance lease obligations	891	3,335
Unsecured		
Loan from others	5,533	5,203
	<u>10,850</u>	<u>12,168</u>
15. OTHER FINANCIAL LIABILITIES - NON-CURRENT		
Security deposits	423	389
Other liabilities	1,648	1,628
	<u>2,071</u>	<u>2,017</u>
16. PROVISIONS		
Provisions for employee benefits - current		
Compensated absences	147	112
(A)	<u>147</u>	<u>112</u>
Provisions for employee benefits - non-current		
Gratuity	991	891
Compensated absences	484	382
(B)	<u>1,475</u>	<u>1,273</u>
(A) + (B)	<u>1,622</u>	<u>1,385</u>
17. OTHER NON-CURRENT LIABILITIES		
Unearned income	7,761	4,349
	<u>7,761</u>	<u>4,349</u>
18. BORROWINGS (SHORT-TERM)		
Loans repayable on demand from banks - Secured		
[Refer notes (a) to (d) below]		
Working capital facilities	24,676	19,496
Buyers' credit from banks	1,302	5,563
Loans repayable on demand from banks - Unsecured		
Buyers' credit from banks	-	1,312
	<u>25,978</u>	<u>26,371</u>

(a) The above facilities amounting to ₹ 25,978 (Previous Year : ₹ 25,059), bank guarantees and non fund limits 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 ₹ 16,976 (Previous Year : ₹ 15,980) 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 ₹ 12,232 (Previous Year : ₹ 10,525) 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 ₹ 9,002 (Previous Year : ₹ 9,079) is collaterally secured by equitable mortgage over the land and building at Noida, Uttar Pradesh.
- (iv) the exposure amounting to ₹ 3,885 (Previous Year : ₹ 2,200) is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

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

	As at March 31, 2018	As at March 31, 2017
(c) These working capital facilities bear interest ranging from 4.15% to 9.25% p.a. [Previous year: 4.15% to 11.50% p.a.] and these facilities are subject to renewal annually.		
(d) Working capital facilities comprises the following:		
Bank overdraft	21,215	9,911
Other working capital facilities	3,461	9,585
	<u>24,676</u>	<u>19,496</u>
19. TRADE PAYABLES		
Towards purchase of goods and services *	53,181	47,152
Other payables	4,015	3,575
	<u>57,196</u>	<u>50,727</u>
* There are no dues payable to micro, small and medium enterprises as on Mar 31, 2018 (Previous year - Nil) - Refer note D(47)		
20. OTHER FINANCIAL LIABILITIES		
Capital creditors	7,825	3,703
Current maturities of long term debt**	3,878	2,606
Current maturities of other loans**	6,081	6,227
Current maturities of finance lease obligations**	891	3,335
Interest accrued but not due on borrowings	320	265
Deposits from customers	770	773
Other payables	1,711	1,414
Unpaid dividends	*	*
	<u>21,476</u>	<u>18,323</u>
* Amount is below the rounding off norm adopted by the Group		
**Also refer note D(14)		
21. OTHER CURRENT LIABILITIES		
Advances received from customers	2,856	3,755
Statutory payables	966	1,184
Unearned income	11,721	12,167
Other payables	1,849	1,771
	<u>17,392</u>	<u>18,877</u>
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 ₹ 80 (Previous Year: ₹ 1,136).		
(ii) Contingencies due to certain Service Tax claims as at March 31, 2018 amounted to ₹ 4,689 (Previous Year: ₹ 5,167).		
(iii) Contingencies due to certain Sales Tax claims as at March 31, 2018 amounted to ₹11 (Previous Year: ₹ 138).		
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.		

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

	As at March 31, 2018	As at March 31, 2017
(b) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	10,327	10,445
(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, 2018, the Group is holding 48 (Previous year : 30) licenses with a corresponding export obligation of ₹ 39,261 (Previous year : ₹ 23,917). 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 (42) 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, 2018 and as at March 31, 2017 are as follows:		
Payable not later than one year	1,049	3,676
Payable later than one year and not later than five years	1,054	2,100
Total	2,103	5,776
Less: Amounts representing interest	(243)	(584)
Present value of minimum lease payments	1,860	5,192
Payable not later than one year [disclosed under other financial liabilities - Refer note D(20)]	891	3,335
Payable later than one year and not later than five years [disclosed under borrowings - Refer note D(14.2)]	969	1,857
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 non cancellable operating leases is set out below:		
Payable not later than one year	1,124	1,115
Payable later than one year and not later than five years	4,919	4,774
Payable later than five years	3,866	5,134
Total	9,909	11,023
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 non cancellable operating lease arrangements are given below:		
Receivables not later than one year	175	2,073
Receivables later than one year and not later than five years	279	237
	454	2,310

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

	Year ended March 31, 2018	Year ended March 31, 2017
24. REVENUE FROM OPERATIONS		
Sale of Services *	1,91,092	1,70,333
Sale of Products	15,764	13,987
	<u>2,06,856</u>	<u>1,84,320</u>
Revenue attributable to Unified license [Refer Note D (42)(a)]	91,252	98,485
Revenue not attributable to Unified license	1,15,604	85,835
	<u>2,06,856</u>	<u>1,84,320</u>
*includes lease income amounting to ₹ 2,120 for current year (Previous year: ₹ 3,941)		
25. OTHER INCOME		
Interest income		
From banks	252	265
Others	1,041	962
Other non-operating income		
Profit on sale of property, plant and equipment (Net)	26	11
Gain on foreign exchange fluctuation (Net)	70	292
Provisions for expenses no longer required, written back	41	-
Rental income	963	984
Miscellaneous income	797	172
	<u>3,190</u>	<u>2,686</u>
26. COST OF GOODS SOLD AND SERVICES RENDERED		
A. Cost of services rendered		
Networking costs	53,451	58,201
Other direct costs	34,278	23,184
Power expenses	11,453	9,836
	<u>99,182</u>	<u>91,221</u>
B. Purchases of Stock in trade	20,700	25,042
C. Changes in inventories - Stock in Trade		
Opening inventory	11,820	7,414
Less: Closing inventory	(6,458)	(11,820)
	<u>5,362</u>	<u>(4,406)</u>
	<u>1,25,244</u>	<u>1,11,857</u>
27. EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	23,920	19,956
Contribution to provident and other funds*	1,467	1,181
Staff welfare expenses	219	282
Share-based payments to employees [Note D (38)]	69	176
	<u>25,675</u>	<u>21,595</u>

*Also refer note D (35)

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

	Year ended March 31, 2018	Year ended March 31, 2017
28. FINANCE COSTS		
Interest	3,947	3,434
Other borrowing costs (including letters of credit and bill discounting charges)	924	937
Exchange differences regarded as an adjustment to borrowing costs	97	-
	<u>4,968</u>	<u>4,371</u>
29. OTHER EXPENSES		
Commission expenses	370	227
Communication expenses	311	405
Rent	4,850	4,408
Rates and taxes	687	1,260
Travelling expenses	1,622	1,480
Power and fuel expenses	1,314	1,313
Legal and professional	1,396	1,058
Payment to auditors		
- Statutory audit fees	33	32
- Other services	23	22
Repairs and maintenance expenses		
- Plant and machinery	1,763	2,057
- Buildings	976	572
- Others	2,626	2,043
Insurance	419	518
Outsourced manpower costs	3,672	2,687
Advertisement, selling and marketing expenses	1,253	1,333
Contribution towards Corporate Social Responsibility [Refer note D(49)]	96	84
Allowance for bad and doubtful debts (including bad debts written off ₹ 3,950 (Previous year: ₹3,584))	3,700	3,835
Miscellaneous expenses	2,268	1,830
	<u>27,379</u>	<u>25,164</u>

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

30. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES**(i) Long term borrowings ***

Particulars	As at April 01, 2017	Proceeds	Repayment	Non cash movement			As at March 31, 2018
				Assets acquired on lease	Foreign exchange movement	Fair value changes	
Term loans from Bank	9,211	8,752	(2,740)	-	227	-	15,450
Term loans from Others	8,441	15,220	(8,880)	-	-	(135)	14,646
Finance lease obligations	5,192	-	(4,029)	697	-	-	1,860
Total	22,844	23,972	(15,649)	697	227	(135)	31,956

*including current maturities

(ii) Short term borrowings

Particulars	As at April 01, 2017	Cash flow	Foreign exchange movement	As at March 31, 2018
Working capital facilities excluding overdraft*	9,585	(6,376)	252	3,461
Other short term borrowing	6,875	(5,549)	(24)	1,302
Total	16,460	(11,925)	228	4,763

* Bank overdrafts are used for cash management purposes [Refer Note D (9)]

As at	As at
March 31, 2018	March 31, 2017

31. 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	2,935	2,534
	2,935	2,534

Deferred tax liabilities

Intangible assets	(1,470)	(1,212)
Finance lease obligations	(1,465)	(1,322)
	(2,935)	(2,534)

Net deferred tax asset/(liability) recognised in Balance Sheet

-	-
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The Group has recognised deferred tax assets only to the extent of deferred tax liabilities arising during the year. In assessing the realizability of deferred tax assets, management considers whether some portion or all of deferred tax assets will not be realized. The ultimate realization of 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 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	Finance lease obligations
Balance as at April 1, 2016	2,374	(1,152)	(1,222)
Recognised in income statement	160	(60)	(100)
Recognised in Equity	-	-	-
Balance as at March 31, 2017	2,534	(1,212)	(1,322)
Recognised in income statement	401	(258)	(143)
Recognised in Equity	-	-	-
Balance as at March 31, 2018	2,935	(1,470)	(1,465)

	As at March 31, 2018	As at March 31, 2017
Unrecognised deferred tax asset		
Deductible temporary differences	2,498	2,364
Unrecognised tax losses		
- Unabsorbed depreciation	5,129	8,520
- business loss	243	243
	7,870	11,127

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.

Income tax expense recognized in profit or loss

	Year ended March 31, 2018	Year ended March 31, 2017
Current tax expense/ (reversal)	2	7
Deferred tax expense	-	-
	2	7

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 income taxes	9,235	6,431
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense/ (benefit)	3,196	2,226
<i>Effect of :</i>		
Share based payment expenses not deductible for tax purposes	16	29
Unrecognised deferred tax asset on temporary differences	261	(208)
Difference on account of differential tax rates in different jurisdictions	(2)	(7)
Expenses/income not taxable	(9)	(26)
Recognition of previously unrecognized tax losses	(3,460)	(2,007)
	2	7

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

	Year ended March 31, 2018	Year ended March 31, 2017
32. PAYMENTS TO DIRECTORS		
(other than managing director and executive director)		
Sitting fees	13	14
Consultancy fees	<u>2</u>	<u>2</u>
33. 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	11,683	-
Effect of partly paid shares (Refer note below)	9,68,75,000	9,09,67,466
Weighted average number of equity shares outstanding	<u>15,04,17,470</u>	<u>14,44,98,253</u>
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, 2018, these shares were partly paid up to the extent of ₹ 7.75 (March 31, 2017 - ₹7.75) per share. Refer note D(48).		
(b) Weighted average number of shares - Diluted		
Weighted average number of equity shares outstanding	15,04,17,470	14,44,98,253
Dilutive impact of associate stock options*	6,46,569	-
Weighted average number of equity shares for diluted earnings per share	<u>15,10,64,039</u>	<u>14,44,98,253</u>

*The Group has issued Associate Stock Options of which 51,80,440 options are outstanding as at March 31, 2018. These could potentially dilute basic earnings per share in future but are not included in calculation of diluted earnings per share during the financial year March 2017, as they are anti-dilutive. Refer Note D(38).

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

34. FOREIGN CURRENCY EXPOSURE

The details of foreign currency exposure as at March 31, 2018 are as follows:

Particulars	As at March 31, 2018		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalent	USD	38	2,494
Debtors	GBP	-	-
	USD	113	7,356
	CHF	-	-
	EUR	1	53
			7,409
Amounts payable in foreign currency on account of:			
Creditors	EUR	*	24
	CAD	*	*
	USD	101	6,554
	DHS	*	10
	GBP	-	-
	HKD	-	-
	CHF	-	-
			6,588
Foreign currency term loan	USD	127	8,237
Foreign currency short term borrowings	USD	73	4,775

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

The details of foreign currency exposure as at March 31, 2017 are as follows:

Particulars	As at March 31, 2017		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Cash and cash equivalents	USD	52	3,359
Debtors	GBP	-	-
	USD	112	7,279
	CHF	-	-
	EUR	*	31
			7,310
Amounts payable in foreign currency on account of:			
Creditors	EUR	1	76
	CAD	-	-
	USD	109	7,099
	DHS	*	7
	GBP	*	8
	CHF	-	-
			7,190
Foreign Currency Term Loan	USD	74	4,786
Foreign Currency short term borrowings	USD	220	14,260

*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, 2018	Year ended March 31, 2017
35. EMPLOYEE BENEFITS		
a. Defined benefit plans (Gratuity)		
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	1,098	918
Service cost	296	192
Interest cost	75	69
Remeasurement (gain)/losses	(69)	22
Benefits paid	(84)	(103)
Projected benefit obligation at the end of the year	<u>1,316</u>	<u>1,098</u>
Change in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	207	356
Interest income	14	27
Employer contributions	204	75
Benefits paid	(84)	(103)
Return on plan assets, excluding amount recognised in net interest expense	(16)	(148)
Fair value of plan assets at the end of the year	<u>325</u>	<u>207</u>
Amount recognised in the Balance Sheet		
Present value of projected benefit obligation at the end of the year	1,316	1,098
Fair value of plan assets at the end of the year	(325)	(207)
Funded status amount of liability recognised in the Balance Sheet	<u>991</u>	<u>891</u>
Expense recognised in the Statement of Profit and Loss		
Service cost	296	192
Interest cost	75	69
Interest income	(14)	(27)
Net gratuity costs	<u>357</u>	<u>234</u>
Actual return on plan assets	<u>(2)</u>	<u>(121)</u>
Summary of actuarial assumptions		
Discount rate	7.30% p.a.	6.85% p.a.
Expected rate of return on plan assets	7.00% p.a.	7.00% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.
Average future working life time	4.38 years	4.39 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 ₹ 1,250 to its gratuity fund during the year ending March 31, 2019

(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	As at	
	March 31, 2018	March 31, 2017
1 year	250	195
2 to 5 years	793	667
6 to 10 years	566	451
More than 10 years	344	282

Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2018 and March 31, 2017, by asset category is as follows:

	March 31, 2018	March 31, 2017
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 ended March 31, 2018 and March 31, 2017 are as follows:

Remeasurement (gain) /loss arising from	March 31, 2018	March 31, 2017
- change in demographic assumptions	-	-
- change in financial assumptions	(28)	32
- experience variance	(41)	(10)
- return on plan assets, excluding amount recognised in net interest expense/income	15	148
	<u>(54)</u>	<u>170</u>

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, 2018		March 31, 2017	
	Decrease	Increase	Decrease	Increase
Discount rate (-/+ 1%)	1,381	1,258	1,152	1,049
(% change compared to base due to sensitivity)	4.8%	-4.5%	4.9%	-4.5%
Salary Growth rate (-/+ 1%)	1,259	1,378	1,053	1,146
(% change compared to base due to sensitivity)	-4.4%	4.6%	-4.10%	4.30%

b. Contributions to defined contribution plans

In accordance with Indian law, all employees receive benefits from a 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 contributed ₹ 1,023 and ₹ 850 for the year ended March 31, 2018 and March 31, 2017 respectively.

The Group has contributed to 401(K) plan on behalf of eligible employees amounting to ₹ 87 (March 31, 2017: ₹ 97) during the year ended March 31, 2018.

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

36. SEGMENT REPORTING

The Group's operating segments are as follows:

a. Telecom-centric services	Consists of domestic data, international data, wholesale voice and network managed services
b. Data Center-centric IT Services	
i. Data Center Services	Consists of co-location services
ii. Cloud and Managed Services	Consists of IT infra services, IT transformation services, remote and onsite infrastructure management services and delivery platforms
iii. Technology Integration Services	Consists of data centre build, network integration, end user computing and collaborative tools and solutions
iv. Applications Integration Services	Consists of application development and maintenance, application testing, information security, mobility solutions, e-Learning, portals, tools, process and automation

a. Telecom-centric services

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 intranets, extranets 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)

b. Data Center-centric IT services

i. **Data center services:** The Group operates 6 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.

ii. **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.

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

iv. **Applications Integration services:** The wide range of web-applications include sales force automation, supply chain management, intranet and extranets, 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 email, chat, travel, online portfolio management and channels for personal finance, astrology, lifestyle, shopping, movies, sports and news.

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

The Group also offers value-added services to organizations such as website design, development, content management, digital certification services, 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, 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.

The Chief Operating Decision Maker ("CODM"), i.e, The Board of Directors and the senior management, evaluate the Group's performance and allocate resources to various strategic business units that are identified based on the products and services that they offer and on the basis of the market served. The measure of profit / loss reviewed by the CODM is "Profit/loss before interest, taxes, depreciation and amortization" also referred to as "segment operating income / loss". Revenue in relation to segments is categorized based on items that are individually identifiable to that segment.

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 "unallocable expenses" and "depreciation, amortisation and impairment" 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, 2018 is presented below:

Particulars	Telecom-centric Services	Data center-centric IT Services					Total (A)+(B)
		Data center Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total (i+ii+iii+iv)	
	(A)	(i)	(ii)	(iii)	(iv)	(B)	
Revenue from operations	99,818	24,346	9,567	34,446	38,679	1,07,038	2,06,856
Operating expenses	(76,535)	(17,534)	(10,527)	(29,335)	(32,880)	(90,276)	(1,66,811)
Segment operating income / (loss)	23,283	6,812	(960)	5,111	5,799	16,762	40,045
Unallocable expenses							(11,487)
Operating income							28,558
Other income							1,827
Foreign exchange gain / (loss), net							70
Profit / (loss) before interest, depreciation and tax							30,455
Interest income / (expenses), net							(3,675)
Depreciation, amortisation and impairment							(17,545)
Profit before tax							9,235
Income tax (expense)/recovery							(2)
Profit after taxes							9,233

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

The Group's operating segment information for the year ended March 31, 2017 is presented below:

Particulars	Telecom-centric Services	Data center-centric IT Services*				Total (i+ii+iii+iv)	Total (A)+(B)
		Data center Services	Cloud and Managed Services	Technology Integration Services*	Applications Integration Services*		
	(A)	(i)	(ii)	(iii)	(iv)	(B)	
Revenue from operations	1,01,730	19,751	9,200	26,878	26,761	82,590	1,84,320
Operating expenses	(80,500)	(14,891)	(8,250)	(23,062)	(21,865)	(68,068)	(1,48,568)
Segment operating income / (loss)	21,230	4,860	950	3,816	4,896	14,522	35,752
Unallocable expenses							(10,048)
Operating income							25,704
Other income							1,167
Foreign exchange gain / (loss), net							292
Profit / (loss) before interest, depreciation and tax							27,163
Interest income / (expenses), net							(3,144)
Depreciation, amortisation and impairment							(17,588)
Profit before tax							6,431
Income tax (expense)/recovery							(7)
Profit after taxes							6,424

*The Chief Operating Decision Maker (CODM) has evaluated and grouped data center services, cloud and managed services, technology integration services and applications integration services into Data center-centric IT services. There are no changes in the components of Telecom service segment. Accordingly, the segment information has been presented.

Geographic segments

The Group has two geographic segments viz., 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, 2018	1,66,494	40,362	2,06,856
Year ended March 31, 2017	1,34,412	49,908	1,84,320

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.

Major Customer

Revenue from one customer of the Group's Data center-centric IT Services segment is ₹ 22,615 (PY: 2016-17 ₹ 12,675) which is more than 10% of the Group's total revenue.

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

37. 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 or otherwise. Key management personnel includes the board of directors and other senior management executives. The other related parties are those with whom the Group has had transaction during the year ended March 31, 2018 and March 31, 2017 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%
	Sify Infnit Spaces Limited	India	100%
	Sify Data and Managed Services Limited	India	100%

(b) Related party transactions and balances

Following is a summary of related party transactions for the year ended March 31, 2018:

Transactions	Holding Company	Others	Key Management Personnel
Consultancy services received	-	-	2
Sitting fees paid	-	-	13
Salaries and other short term benefits*	-	-	391
Contributions to defined contribution plans*	-	-	17
Share based payment transactions*	-	-	13
Lease rentals paid**	11	45	-
Dividend paid	1,266	167	-
Amount of outstanding balances			
Advance lease rentals and refundable deposits made**	-	26	-
Lease rentals payable**	-	1	-

(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, 2017

Transactions	Holding Company	Others	Key Management Personnel
Consultancy services received	-	-	2
Sitting fees paid	-	-	14
Salaries and other short term benefits*	-	-	400
Contributions to defined contribution plans*	-	-	16
Share based payment transactions*	-	-	38
Lease rentals paid**	10	44	-
Dividend paid	1,020	139	-
Call money received on shares	3000	-	-
Amount of outstanding balances			
Advance lease rentals and refundable deposits made**	-	26	-
Lease rentals payable**	-	4	-

**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 from February 1, 2012 on a rent of ₹ 0.75 (Rupees Seventy Five Thousand Only) per 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 years.

During the year 2011 - 12, 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 from February 1, 2012 on a rent of ₹ 0.30 (Rupees Thirty Thousand Only) per month. The agreement provides 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 Group had entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Anand 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 - resigned with effect from April 9, 2016 (Sify Technologies North America Corporation).

38. 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, 2018. 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. The Group has granted additional 1,50,000, 525,000 and 1,84,300 options to employees during the year 2017-18, 2016-17 and 2015-16 respectively.

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

The options vest in the following manner :

No of Options	Category	Vesting Pattern
43,04,600	Category I	3/5 th of the options vest at the end of one year from the date of grant. The remaining 2/5 th 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	Category II	2/5 th of the options vest at the end of one year from the date of grant. The remaining 3/5 th vests at the end of every half year during second, third and fourth years in 6 equal instalments.
19,37,800	Category III	2/5 th of the options vest at the end of two years from the date of grant. The remaining 3/5 th 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 2014:

No. of options granted, exercised and forfeited	For the year ended	
	March 31, 2018	March 31, 2017
Outstanding at the beginning of the year	58,37,400	56,65,800
Granted during the year	1,50,000	5,25,000
Forfeited and expired during the year	(6,53,100)	(3,53,400)
Exercised during the year	(1,53,860)	-
Outstanding at the end of the year	51,80,440	58,37,400
Vested and exercisable at the end of the year	43,40,070	37,11,130
Weighted average exercise price in ₹	78.79	73.55
Remaining contractual period	0.06 - 4.81 years	1.80 - 5.79 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 behaviour 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, 2018 is furnished below:

	Range of exercise price in ₹	Number outstanding at March 31, 2018	Weighted average exercise price in ₹	Weighted average remaining contractual life
ASOP 2014	57.66 - 82.00	51,80,440	57.66 - 82.00	0.06 - 4.81 years

A summary of information about fixed price stock options outstanding with respect to ASOP 2014 as at March 31, 2017 is furnished below:

	Range of exercise price in ₹	Number outstanding at March 31, 2017	Weighted average exercise price in ₹	Weighted average remaining contractual life
ASOP 2014	60.60 - 82.00	58,37,400	60.60 - 82.00	1.80 - 5.79 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 for the options granted during the year are summarised below:

Assumptions

Grant date	Jan 18, 2018
Category	Category III
Current market price	₹ 162.51
Exercise price	₹ 146.23
Expected term	2-5 years
Volatility	53.15% to 97.76%
Dividend yield	12%
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, 2018 and March 31, 2017 are given below:

Particulars	Currency	As at March 31, 2018	As at March 31, 2017
Forward/Option contracts (Sell)	USD	Nil	30
Forward/Option contracts (Buy)	USD	Nil	98
Net (gain) / loss on mark to market in respect of forward/option contracts outstanding	INR	Nil	181

The Group recognized a net loss on the forward contracts of ₹ 75 (Previous year : Net loss of ₹ 143) for the year ended March 31, 2018.

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, 2018	As at March 31, 2017
Forward/Option contracts (Sell)	(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	-	-
Forward/Option contracts (Buy)	(USD)	(USD)
Not later than one month	-	35
Later than one month and not later than three months	-	7
Later than three months and not later than six months	-	56
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 enters into Cross Currency Swaps (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 contracts is co terminus with the period of the underlying term loans. 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 swap contracts are settled before maturity during current year and there are no outstanding balances as on March 31, 2018.

The details of the outstanding balances as at March 31, 2017 and the mark to market losses recognised during the year ended March 31, 2017 are as under:

Particulars	Value of the outstanding INR term loan	Value of the outstanding USD principal	Mark to Market losses
Tranch 1	345	USD 6	(26)
Tranch 2	577	USD 9	(43)
Tranch 3	453	USD 7	(34)
Total	1,375	USD 22	(103)

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, 2018		As at March 31, 2017	
	Payable (USD)	Receivable (INR)	Payable (USD)	Receivable (INR)
Less than 1 year	-	-	9	651
One to two years	-	-	9	587
Two to three years	-	-	6	399
Three to four years	-	-	-	-
Four to five years	-	-	-	-
Total cash flows	-	-	24	1,637

The Group recognized a net loss on the cross currency swaps of ₹ 80 [Previous year : ₹ 277 (gain) - includes mark to market gain of ₹ 103] for the year ended March 31, 2018.

iii. Interest rate swap:

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 Group 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.

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

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, 2018		As at March 31, 2017	
	Receivable (USD)	Payable (USD)	Receivable (USD)	Payable (USD)
Less than 1 year	2	3	3	4
One to two years	1	1	2	3
Two to three years	*	*	1	1
Three to four years	-	-	*	*
Four to five years	-	-	-	-
Total cash flows	3	4	6	8

* Amount below rounding off norm adopted by the Group

Total notional amount outstanding as on March 31, 2018 is USD 53 (Previous Year: USD 73)

The Group recognized a net gain on the interest rate swaps of ₹ 16 (includes mark to market gain of ₹ 84) during the year ended March 31, 2018 (Previous year : net gain ₹ 71 including mark to market gain of ₹ 186).

b. Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2018 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	1440	-	17	1,457	1,457
Trade receivables	88,492	-	-	88,492	88,492
Cash and cash equivalents	22,523	-	-	22,523	22,523
Other financial assets	4,205	-	-	4,205	4,205
Liabilities					
Borrowings from banks	20,213	-	-	20,213	20,213
Borrowings from others	14,646	-	-	14,646	14,646
Bank overdraft	21,215	-	-	21,215	21,215
Finance lease liabilities	1,860	-	-	1,860	1,860
Trade payables	57,179	-	-	57,179	57,179
Other financial liabilities	12,697	-	-	12,697	12,697
Derivative financial instruments	-	17	-	17	17

(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, 2017 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	729	-	17	746	746
Trade receivables	69,553	-	-	69,553	69,553
Cash and cash equivalents	18,509	-	-	18,509	18,509
Other financial assets	3,250	-	-	3,250	3,250
Liabilities					
Borrowings from banks	25,671	-	-	25,671	25,671
Borrowings from others	8,441	-	-	8,441	8,441
Bank overdraft	9,911	-	-	9,911	9,911
Finance lease liabilities	5,192	-	-	5,192	5,192
Trade payables	50,365	-	-	50,365	50,365
Other financial liabilities	8,172	-	-	8,172	8,172
Derivative financial instruments	-	362	-	362	362

Details of financial assets pledged as collateral

The carrying amount of financial assets as at March 31, 2018 and March 31, 2017 that the Group has provided as collateral for obtaining borrowing and other facilities from the bankers are as follows:

	As at March 31, 2018	As at March 31, 2017
Trade receivables	87,457	68,645
Cash and cash equivalents	20,315	16,212
Other financial assets	3,983	3,231
	<u>1,11,755</u>	<u>88,088</u>

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

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, 2018			Fair value as of March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivative financial assets gain on outstanding forward contracts	-	-	-	-	-	-
Liabilities						
Derivative financial liabilities - loss on outstanding option/forward contracts	-	-	-	-	(181)	-
Derivative financial liabilities - loss on outstanding cross currency swaps	-	-	-	-	-	(80)
Derivative financial liabilities - loss on outstanding interest rate swaps	-	-	(17)	-	-	(101)

- 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, 2018	Year ended March 31, 2017
(a) Financial assets at amortised cost		
Interest income on bank deposits	252	265
Interest income on other financial assets	1,041	962
Impairment on trade receivables	(3,700)	(3,835)
(b) Financial assets/liabilities at fair value through profit or loss (FVTPL)		
Net gains/(losses) on fair valuation of derivative financial instruments	84	108
(c) Financial liabilities at amortised cost		
Interest expenses on lease obligations	(312)	(881)
Interest expenses on borrowings from banks, others and overdrafts	(3,813)	(2,739)

40. 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

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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. 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.

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, 2018 and March 31, 2017 was as follows:

	As at March 31, 2018	As at March 31, 2017
Trade investments	1,457	746
Trade receivables	88,492	69,553
Cash and cash equivalents	22,523	18,509
Other financial assets	4,205	3,250
	<u>1,16,677</u>	<u>92,058</u>

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, 2018	March 31, 2017
Period (in days)		
Past due 181 - 270 days	8,255	8,924
Past due 271 - 365 days	2,729	3,445
More than 365 days	8,856	9,613
	<u>19,840</u>	<u>21,982</u>

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, 2018 amounts to ₹ 68,652 (March 31, 2017: ₹ 47,571) and impairment has not been recorded on the same.

Details of collateral and other credit enhancements held

	March 31, 2018	March 31, 2017
Security deposits received for internet access services	<u>5</u>	<u>5</u>

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

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.

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

As at March 31, 2018

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	20,213	22,402	9,494	12,092	816
Borrowings from others	14,646	18,519	7,694	8,938	1,887
Bank overdraft	21,215	21,215	21,215	-	-
Finance lease liabilities	1,860	2,103	1,053	1,019	31
Trade payables	57,179	57,179	57,179	-	-
Other financial liabilities	12,697	12,697	12,697	-	-
	1,27,810	1,34,115	1,09,332	22,049	2,734

As at March 31, 2017

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks	25,671	27,113	19,743	5,713	1,657
Borrowings from others	8,441	9,155	6,762	2,393	-
Bank overdraft	9,911	9,911	9,911	-	-
Finance lease liabilities	5,192	5,776	3,676	2,100	-
Trade payables	50,365	50,365	50,365	-	-
Other financial liabilities	8,172	8,172	8,172	-	-
	1,07,752	1,10,492	98,629	10,206	1,657

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.

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

Currency risk:

The Group's exposure in USD, 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.

The Group's exposure to foreign currency risk as at March 31, 2018 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	38	113	(101)	(200)	(150)
EUR	-	1	*	-	1
DHS	-	-	*	-	*

The Group's exposure to foreign currency risk as at March 31, 2017 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	52	112	(109)	(294)	(239)
EUR	-	-	(1)	-	(1)
GBP	-	-	-	-	-

A 10% strengthening of the rupee against the respective currencies as at March 31, 2018 and March 31, 2017 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 2017.

	Other Comprehensive Income	Profit/(loss)
March 31, 2018	-	1,185
March 31, 2017	-	1,557

A 10% weakening of the rupee against the above currencies as at March 31, 2018 and March 31, 2017 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:

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

	Carrying amount	
	March 31, 2018	March 31, 2017
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	4,131	4,492
- Investment in debt securities	1,440	729
Financial liabilities		
- Borrowings from banks	6,094	6,875
- Borrowings from others	14,646	8,441
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	14,119	18,796
- Bank overdrafts	21,215	9,911

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 2017.

	Equity	Profit or (loss)
March 31, 2018	-	(326)
March 31, 2017	-	(242)

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.

41. 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, 2018 is ₹ 90,031 (Previous Year: ₹ 82,626).

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, 2018	As at March 31, 2017
Debt		57,934	49,215
Less: cash and bank balances		(22,523)	(18,509)
Net debt	A	35,411	30,706
Equity	B	90,031	82,626
Net debt to Equity ratio	A/B	39%	37%

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

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

42. 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 demands 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 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 it has 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. Also, the Group has received notices for earlier years from DOT claiming Licence fee on the total Income (including income from Non Licensed activities). The Group has replied to these notices stating that licence fees are not payable on income from non-licensed activities. The Group believes that it has adequate legal defences against these notices and that the ultimate outcome of these actions may 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. The group has appropriately accounted for any adverse effect that may arise in this regard in the books of account.

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, 2018, 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 ₹ 911 (March 31, 2017: ₹ 374)] on the Group's financial position and results of operations.

43. ADJUSTMENT TO THE SECURITIES PREMIUM ACCOUNT

a) Pursuant to the approval of the shareholders of the Company at the eleventh annual general meeting held on September 24, 2007 and confirmation by the Honourable High Court of Madras vide its Order dated December 13, 2007, accumulated losses of ₹ 1,16,264 as on April 1, 2007 has been adjusted against the balance in the securities premium account.

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

- b) 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 accumulated 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) 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	(27,661)

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.

44. EUROPE INDIA GATEWAY

The 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, 2018. The capacity under the mentioned facility would be upgraded over a period of time.

45. IPO LISTING

In 2006, The Ministry of Finance (MoF), issued a press release by which Indian companies cannot raise new capital abroad unless, the securities of the company are listed on a stock exchange in India. However, by virtue of notification issued by the MoF on October 21, 2014, the issuance of depository receipts has been taken out of the 1993 Scheme and is now regulated by the Depository Receipts Scheme, 2014. The 2014 Scheme allows Indian companies, whether listed or unlisted, to access the international capital markets using depository receipts. Such issuances can either be through a public offering of depository receipts or through a preferential allotment or qualified institutional placement. They can also either be sponsored by the issuer company or unsponsored (such as when an existing shareholder sells its holding through the issue of depository receipts). These issuances are subject to the usual foreign investment regime, including in relation to sectoral caps as well as pricing. Moreover, such issuances are permitted only to investors in certain specific jurisdictions as listed in the 2014 Scheme, which currently consists of a list of 34 countries. The earlier condition of mandatory listing in India is dispensed with.

46. NOTICE OF FAILURE TO SATISFY A CONTINUED LISTING RULE OR STANDARD

On December 27, 2016, Sify Technologies Limited (the “Company”) received a letter from the Listing Qualifications Department of the NASDAQ Stock Market (“NASDAQ”) indicating that, based upon the closing bid price of the Company’s common stock for the last 30 consecutive business days, the Company did not meet the minimum bid price of \$1.00 per share required for continued listing on The NASDAQ Global Select Market pursuant to NASDAQ Listing Rule 5450(a)(1). The letter also indicated that the Company will be provided with a compliance period of 180 calendar days, or until June 26, 2017, in which to regain compliance pursuant to NASDAQ Listing Rule 5810(c)(3)(A). The letter further provided that if, at any time during the 180-day period, the closing bid price of the Company’s common stock is at least \$1.00 for a minimum of ten consecutive business days, NASDAQ will provide the Company with written confirmation that it has achieved compliance with the minimum bid price requirement.

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

As per the recommendation of the Board of Directors at the Meeting held on June 21, 2017, the Company has replied to the NASDAQ on June 21, 2017 to voluntarily transfer its listing from the Global Select Market to the Capital Market and give an additional 180 days to cure the Minimum Bid Price Deficiency.

The Company has also highlighted the efforts and initiatives of the Senior Management in holding multiple schedule of meetings with Financial Institutions, Retail Investors, Traders and Banks in US to regain compliance.

Taking note of this representation, NASDAQ sent a communication on July 11, 2017 approving the Company's application to move its American Depository Shares to NASDAQ Capital Market and granted additional 180 days cure period to consider implementing available options to regain compliance with the minimum bid price requirement, including implementing a reverse stock split, if necessary.

On September 28, 2017, NASDAQ notified the Company that it has regained compliance with Listing Rule 5550(a)(2) and the matter is now closed.

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 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, 2018, the Group has called-up and received a sum of ₹7.75 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. The remaining amount of purchase price uncalled as on March 31, 2018 is ₹ 9,000, which comprises of ₹ 2,813 towards share capital and ₹ 6,187 towards securities premium.

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 ₹ 99 towards CSR in compliance of this requirement. A sum of ₹ 96 has been spent during the current year towards CSR activities as per details given below. The balance amount to be spent is ₹ 3.

Organisation	Amount (₹)	
	2017-18	2016-17
VIRRD Trust, Dwarakha Tirumala	63	70
M/s Jateeya Vidya Seva Samithi	25	-
Sri Hanuman Mani Education & Culture Trust	8	-
Chitoor District Badminton Association	-	10
Dr B R Ambedkar Vidya Academy EM High School	-	3
Special Children Sports Meet	*	1
Book Donations to District Institute of Education and Training, Angaluru	-	*
Total	96	84

* Amount below the rounding off norm adopted by the Group

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

50. ADDITIONAL DISCLOSURE AS PER PART III OF SCHEDULE III TO COMPANIES ACT 2013

 For the year ended 31st March 2018

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%	90,588	100%	9,232	1%	54	100%	9,286
Indian Subsidiaries: Sify Data and Managed Services Limited	*	(45)	*	(25)	-	-	*	(25)
Sify Infnit Spaces Limited	*	(20)	*	(20)	-	-	*	(20)
Foreign subsidiaries: Sify Technologies (Singapore) Pte Limited	*	16	*	18	*	1	*	19
Sify Technologies North America Corporation	-1%	(508)	*	28	*	14	*	42

* Below rounding off norm adopted by the Group

 For the year ended 31st March 2017

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%	83,199	96%	6,170	69%	(170)	97%	6,000
Indian Subsidiaries: Sify Data and Managed Services Limited	*	(20)	-	-	-	-	-	-
Foreign subsidiaries: Sify Technologies (Singapore) Pte Limited	*	(4)	1%	74	6%	(15)	1%	59
Sify Technologies North America Corporation	-1%	(549)	3%	180	25%	(61)	2%	119

* Below rounding off norm adopted by the Group

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

 D K Giridharan
 Partner
 Membership No.: 028738

 Chennai
 April 24, 2018

 Raju Vegesna
 Chairman and Managing Director

 M P Vijay Kumar
 Chief Financial Officer

For and on behalf of the Board of Directors

 Ananda Raju Vegesna
 Executive Director

 V Ramanujan
 Company Secretary

 C B Mouli
 Director

sify ■ keeping you ahead

Sify Technologies Ltd

II Floor TIDEL Park

No.4 Rajiv Gandhi Salai Taramani

Chennai - 600 113 India.

Phone +91 44 2254 0770 -777

Fax +91 44 2254 0771

www.sifytechnologies.com/investors

corporate.communications@sifycorp.com