ANNUAL REPORT 2020-21

SIFY DIGITAL SERVICES LIMITED

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Board of Directors

Sify Digital Services Limited

C R Rao

Raju Vegesna

Vegesna Bala Saraswathi

Auditors
ASA & Associates LLP
Chartered Accountants
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

Kamal Nath
Chief Executive Officer

S Ganesh
Chief Financial Officer

V Ramanujan
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors present the First Annual Report together with the Audited Financials of Your Company for the period from July 16, 2020, being the date of incorporation, upto March 31, 2021.

1. FINANCIAL HIGHLIGHTS

The Company has executed Business Transfer agreement dated January 28, 2021 with M/s Sify Technologies Limited, the Holding Company, for acquiring its Digital Services Business from the Appointed Date of April 1, 2020 to the Company. The transfer of Business was made effective February 1, 2021. Pursuant to this transfer of Business, the Company has been generating revenue from Digital Services Business.

As the Company was incorporated on July 16, 2020, the financial highlights for the period from July 16, 2020 to March 31, 2021 are given below:

₹ in lakhs

Details	For the period from July 16, 2020 to March 31, 2021
Income from operations	61,316
Other Income	852
Profit Before Interest, Tax, Depreciation and Amortization (PBITDA)	4,577
Depreciation and Amortization	1,585
Interest Expense (Net)	1,467
Profit Before Tax	1,525
Profit After Tax	1,565

2. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

No material changes and commitments have occurred affecting the financial position of the Company after March 31, 2021 till the date of this Report.

3. DIVIDEND

Your Directors consider it appropriate to conserve the resources for expansion of business. Hence, your Directors do not recommend any dividend for the Financial Year 2020-21.

4. TRANSFER TO RESERVES

The Company has not transferred any amount to the Reserves during the period under review.

5. BUSINESS REVIEW

The Company has executed Business Transfer agreement with M/s Sify Technologies Limited, the Holding Company, effective February 1, 2021 for transfer of Cloud and Managed Services Business, Technology Integration and Application Integration Services.

With the country's private and public institutions in overdrive to adopt automation services, the time was ripe for the Holding Company to give wings to the Digital business unit to pursue an independent trajectory. This frees the Company to pursue the full gamut of clients from those who might be looking only for a refresh of their application suite to those demanding a full-scale platform migration.

The broad definition of Digital services would encompass any service dependent on and delivered off a Cloud platform with associated services like Compute, Storage, Analytics and Security. From a Company standpoint, these services have the potential for maximum offtake as applications are typically customised to the end-customers goals. Translated, that means, while the base application remains constant, the ecosystem of adjunct services will vary based on the outcome required. This permits the Company to draw upon its partner ecosystem to find the best fit for its clients which can comprise a combination of public, private or hybrid cloud services and third-party application services.

The importance of adopting automation and the advantages of application driven process to enable mass outreach were reiterated during the intense lockdown recently. As India recovers, more Enterprises will insulate themselves from such future scenarios by aggressively adopting applications that are resource or geography agnostic.

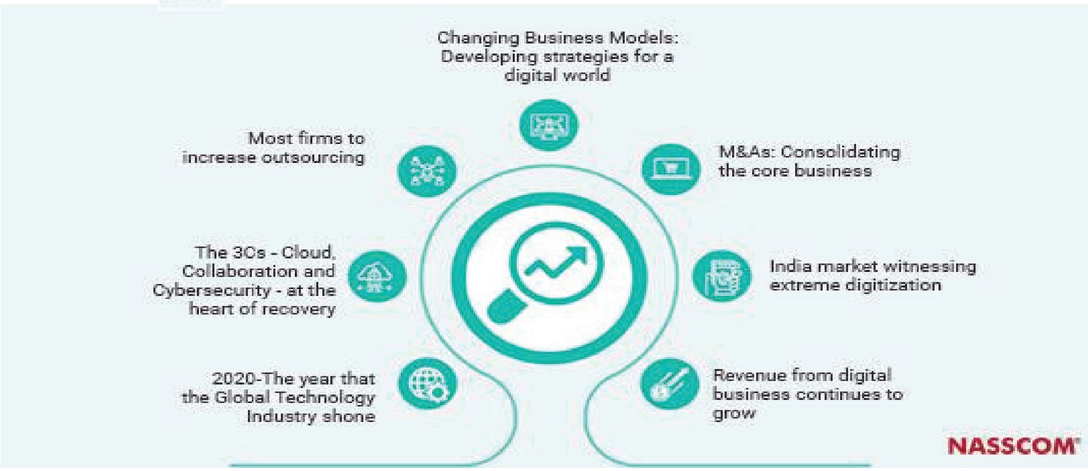
It is with this foresight that Your Company chose to realign all digital platform services under a wholly owned subsidiary, Sify Digital Services Limited.

5.1 Technology Trends

Some of the trends that defined 2020 during the peak of the pandemic have firmly established the benefits vis a vis a man-dependent ecosystem and hence are set to gain traction in 2021. Among the top business trends, the following were noticed as the key drivers.

Trends that defined 2020 and expected to gain traction in 2021

Chart 9



A blog on Digital services by blogger, Varun Yadav in Tara Span lists these technologies as the most disruptive digital services.

Mobile Internet

The mobile internet users, which are estimated to be around 200M, are slated to touch 1 Billion mark by 2025. The market which grew on feature phones, has suddenly found an affinity towards smart phones. The emergence of cost effective smart phones has disrupted the entire internet users landscape. There are more mobile internet users than laptop/desktops internet users.

Cloud Technology

Cloud technology has evolved considerably in the last decade. The low-cost factor that Cloud brings with itself is more relevant here. It can, in fact it has, bring low-cost IT services to business, read SMEs, which were hitherto available due to the high cost of setting that up in-house.

Digital Payments

Mobile money can play a big role here. For millions of rural Indians, accessibility of their account through a mobile phone in a secured way can be a big enabler.

Internet of Things (IoT)

In 2013, nine billion “things” were estimated to be connected around the world. The number is expected to touch 50 billion by 2025. There are more than 1 billion Google Maps users worldwide. IoT is expected to control the flow of goods and services too. India could have somewhere between 2 billion to 10 billion IoT devices connected by 2025 as per the report.

Automation of Knowledge Work

It can catapult Indian SMEs into the next orbit. How our communication skills enhancement program has helped thousands of new joinees become job ready in no time, How tools based on artificial intelligence and adaptive learning can impact the upliftment of the society. Couple that with mobile as a medium of dissemination and the impact is widespread and hugely beneficial.

Mckinsey predicts an impact of $1 trillion by 2025. Even if less than 50% of this is achieved, that’s a sizable number to put bets on. Yes, the Indian government here has a bigger role to play of an enabler, but global technology firms can definitely play a key role here of suppliers of these technologies, customized to local demands and consumption styles.

A second report in SPEC INDIA, of specific Digital Services that will accelerate adoption of automation through the service deliver chains lists the following

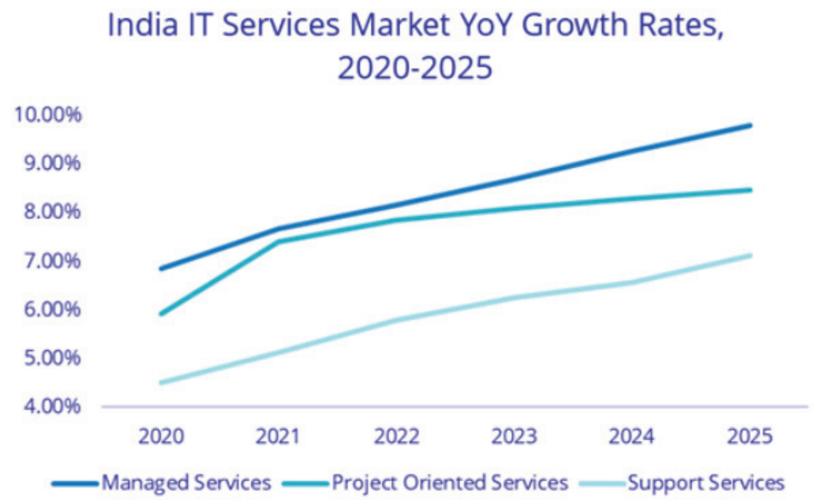
- Top 12 Digital Transformation Trends For 2021
- Cybersecurity
- User and Data Privacy
- Adaption of Hybrid Cloud Architecture
- WFH, Remote Teams and Virtual Spaces – The New Normal
- 5G Will Be Heavily Leveraged
- Folding and Unfolding Devices
- Omnichannel Retailing
- Artificial Intelligence
- Quantum Computing
- Predictive Analytics and Prescriptive Analytics
- Increase in Voice Based UI and Conversations
- ‘Everything as a Service’ (XaaS)

5.2 Outlook

A research report by RBSA Advisors stated: “Amid COVID-19, India has seen a 60% increase in fintech investments to US$ 1467 million in H1 2020 compared to the US$ 919 million for the same period last year. India’s fintech industry remained attractive despite the pandemic, with the emergence of three new unicorns and five new ‘soonicorns’ (US$500 million+ valuation) since January 2020.

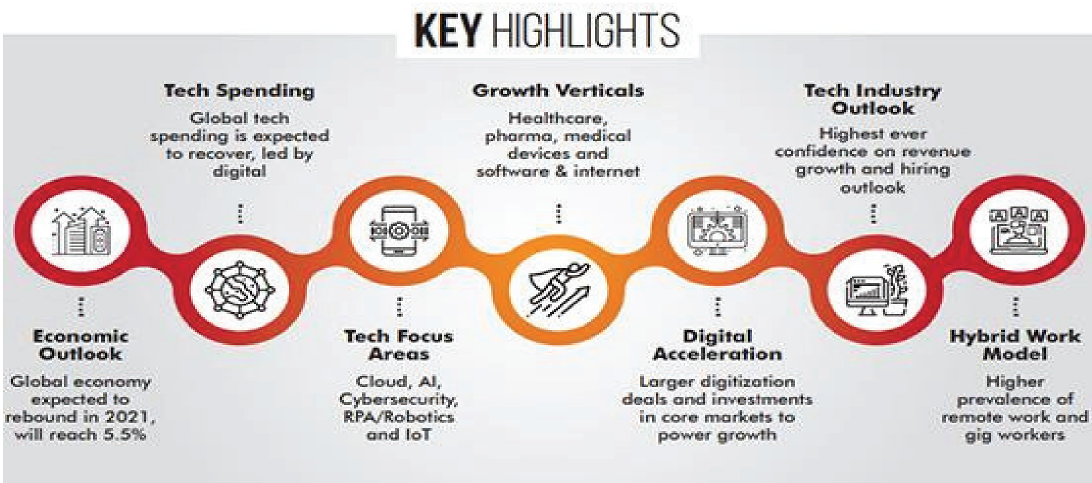
Hailed as the third largest fintech ecosystem globally, India's successes lie not only in the establishment of 2,100 new firms, the bulk of which were set up in the last five years. Total valuation of the industry is estimated at US$50-60 billion. According to a Boston Consulting Group report released March 2021, Indian fintech companies will reach a valuation of US$150-160 billion by 2025, becoming three times more valuable in five years.

IT & Business Services market will begin picking up momentum from 2021 onwards due to increased spending in areas like cloud, application modernization, artificial intelligence, automation, etc. The IT & Business Services market is projected to grow at a CAGR of 7.18 percent between 2020-2025 and reach US$18.97 billion by the end of 2025.



Source: IDC 2021

Another 2021 survey by NASSCOM lists these areas as maximum impacted by Digital Services in the year to come.



With the government realizing the benefits of automation over last mile connectivity to the marginalized sections of the society, this has turned into the focus area for implementation of welfare schemes. And where the executive puts its money, private participation will follows.

Covid was a great test bed to understand the benefits of what digital solutions could enable. Roughly 33% of the Indian population adopted Tertiary healthcare over internet, helped largely by a robust communication platform and wallet platforms. Ancillary services that rode on top of this demand included ecommerce and security.

With the growth of AI, RPA, Big Data and Cloud, these services should see deeper penetration and the growth of a defined Data block of analytics.

Covid impact and Company readiness

Covid Impact

According to Researchdive, the cloud applications market has witnessed a remarkable growth in recent years. However, due to the COVID-19 pandemic, the market will witness a substantial growth. This is mainly due to the rising adoption of cloud applications, as more than 90% of the organizations across the globe have initiated work from home policy in order to continue their business without any disruption. Enterprises at this point are focusing on operational resiliency, return on investment (RoI), business continuity plans, and parking aside all non-critical projects for the next three to six months at least, it added. However, there has been an increase in spending on remote work enablement and cloud adoption, IDC said, adding that there will be heightened demand for collaborative applications, application platforms, security software, system and service management software, and content workflow and management applications.

Company readiness

Your Company offers a mix of home grown and third party industry applications to customers off a robust Cloud platform. Given the proficiency of Your Company's Cloud and Managed Services platform and the efficiencies established over time, remote management and implementation of these services were carried without any disruption to customers' current applications. A good measure of induction of customers for the adoption of new applications were enabled off the Cloud platform. With no physical interventions required, Your Company was able to achieve a fair measure of success in these implementations

6. MAJOR CORPORATE DEVELOPMENTS

During the year under review, M/s Sify Technologies Limited, the Holding Company has transferred its Digital Services Business viz., Technology Integration, Applications Integration, Cloud and Managed Services to the Company for a consideration of ₹ 200 crores through a Business Transfer Agreement effective April 1, 2020 executed between the Holding Company and the Company.

For this purpose, the Company has issued and allotted 20,00,00,000 Equity Shares of ₹ 10/- aggregating to ₹ 200 crores towards consideration.

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 Individual Directors.

8. DIRECTORS AND KEY MANAGERIAL PERSONNEL

a) Directors:

During the year under review M/s Sify Technologies Limited, Holding Company has withdrawn the Nomination given and consequent to this, the following Directors have ceased to be the Directors of the Company:

1. Mr Ananda Raju Vegesna
2. Mr M P Vijay Kumar

During the year under review M/s Sify Technologies Limited, Holding Company has nominated the following additional Directors on the Board of the Company.

1. Mr Vegesna Ananta Koti Raju
2. Ms Vegesna Bala Saraswathi

As per Section 161 of the Companies Act, 2013 and they shall hold office upto the date of the ensuing Annual General Meeting and are eligible for election as Directors by the shareholders at the Annual General Meeting.

The above appointment is recommended by the Board of Directors of the Company and hence, the requirement of Deposit of Rs 1,00,000/- is not applicable.

b) Election of Director

Mr C R Rao who was named as the First Director as per the Articles of Association filed with the Registrar of Companies at the time of Incorporation.

As per section 152(1) of the CA 2013, he shall hold office upto the First Annual General Meeting and have to be elected by the Shareholders as per 152 of the Act.

Hence, Mr C R Rao will be elected as a Director of the Company at the ensuing Annual General Meeting.

c) Woman Director

Appointment of Ms Vegesna Bala Saraswathi, is also in compliance with the provisions of Section 149 (1) of the Companies Act, 2013 read with rule 3 of Companies (Appointment and Qualifications of Directors) Rules, 2014 for appointment of Woman Director.

d) Key Managerial Personnel

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

Mr Kamal Nath	Chief Executive Officer
Mr S Ganesh	Chief Financial Officer
Mr V Ramanujan	Company Secretary

9. 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.

10. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Your Company is in the process of setting up of a adequate Internal Control system, in commensurate with the size, scale and complexity of its operations.

11. 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.

12. BOARD MEETINGS

During the period under review, the Board of Directors of Your Company met 3 times. The dates of meetings are July 28, 2020, October 23, 2020 and January 28, 2021.

13. COMMITTEES

Pursuant to the provisions of rule 6 of the companies (Meeting of Board and its Power) Rules, 2014 and rule 4 of Companies (Appointment and Qualification of Directors) Rules,2014, the provision of section 177 and 178 of the companies Act, 2013 pertaining to constitution of Audit Committee and Nomination and remuneration committee are not applicable to the Company.

14. AUDITORS

i) STATUTORY AUDITOR

M/s ASA & Associates LLP, Chartered Accountants were appointed as the First Auditors of the Company and their appointment will expire at the ensuing Annual General Meeting.

In terms of Section 139(1) of the Companies Act, 2013, every Company shall appoint / re-appoint the Statutory Auditors for a term of Five years (subject to a maximum of two terms of 5 years each in case of Firm) at the Annual General Meeting (AGM) of the Company and fix their remuneration.

The Board of Directors have approved and recommended the appointment of M/s Manohar Chowdhary & Associates, Chartered Accountants, Chennai (Firm Regn. No. 001997S) as the Statutory Auditors of the Company for a period of Five years from the conclusion of First Annual General Meeting until the Fifth Annual General Meeting to be held in the year 2026.

The Company has received the letter from M/s Manohar Chowdhary & Associates, Chartered Accountants, expressing their consent to act as the Company's Auditors and also confirmed that in the event of their appointment as the Statutory Auditors of the Company, it would be in compliance with the provision of Section 139 and 141 of the Companies Act, 2013 and the Rules made thereunder.

The appointment is subject to the approval of the shareholders at the ensuing AGM.

ii. COST AUDITOR

The provision of Section 148 of the Companies Act, 2013 is not applicable to the Company.

15. SECRETARIAL STANDARDS

During the year, Your Company has complied with the provisions of the applicable mandatory Secretarial Standards issued by Institute of Company Secretaries of India.

16. 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 2020-21 are listed below:

Holding Company

Sify Technologies Limited	Amount in ₹ Lakhs
Receipt of Services	2,833
Purchase of goods	Nil
Rendering of Services	2,257
Advances received on account of BTA	5,500
Revenue transfer on account of BTA	20,105
Expenses transfers on account of BTA	10,862
Shares issued pursuant to BTA	20,001
Amounts receivable on account of BTA	20,478
Trade receivable	2,255

Fellow Subsidiary Companies

Sify Infinit Spaces Limited	Amount in ₹ Lakhs
Receipt of Services	574
Purchase of goods	Nil
Revenue transfer on account of BTA	3,256
Expenses transfers on account of BTA	1,039
Amounts received on account of BTA	187
Trade payable	574
Amounts receivable on account of BTA	2,404
Sify Technologies North America Corporation	
Rendering of Services	2,886
Trade receivable	1,292

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

i. Conservation of Energy

Conservation of energy is continuous process at your company. Management has taken steps to minimize energy consumption by optimum utilization, adopting better maintenance procedures and effectively involving all concerned in energy conservation.

ii. Technology Absorption

The Company has not imported any specific technology and Company's in-house technical team is handling the same.

iii. Foreign Exchange Earnings and Outgo

Details of Foreign Exchange Earnings and outgo during the year are were Nil.

18. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

19. 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 Annual Return in Form MGT-7 shall be placed in the website of the Company and web-link of such Annual Return shall be disclosed in the Board's Report.

Form MGT 7 approved by the Board has been displayed on the website of M/s Sify Technologies Limited, the Holding Company at www.sifytechnologies.com.

20. 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.

21. CORPORATE GOVERNANCE

Your Company is compliant with the guidelines laid down by the Ministry of Corporate Affairs, Your Company affirms its consonance with the principles of the National Guidelines on Responsible Business Conduct (NGRBC).

1. Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.
2. Businesses should provide goods and services in a manner that is sustainable and safe.
3. Businesses should respect and promote the well-being of all employees, including those in their value chains.
4. Businesses should respect the interests of and be responsive to all their stakeholders.
5. Businesses should respect and promote human rights.
6. Businesses should respect and make efforts to protect and restore the environment.
7. Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
8. Businesses should promote inclusive growth and equitable development.
9. Businesses should engage with and provide value to their consumers in a responsible manner.

22. CORPORATE SOCIAL RESPONSIBILITY

Since the Company was incorporated only on July 16, 2020, the provisions related to CSR under section 135(1) of the Companies act, 2013 are not applicable.

23. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Directors hereby state that there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, during the year under review.

24. MATERIAL ORDER PASSED BY THE COURT / TRIBUNAL

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

25. ACKNOWLEDGEMENT

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

For and on behalf of the Board

Chennai	***Raju Vegesna***	***C R Rao***
May 14, 2021	Director	Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Sify Digital Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Sify Digital Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income) for the period July 16 2020 to March 31, 2021, the Statement of Changes in Equity for the period July 16, 2020 to March 31, 2021 and the Statement of Cash Flows for the year period July 16, 2020 to March 31, 2021, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Trade Receivables:

Why Significant

The collectability of the Company's aged Trade Receivables and the valuation of allowance for impairment of Trade Receivables is a Key Audit Matter due to the judgement involved in assessing the recoverability. The Trade Receivable as at March 31, 2021 is ₹ 28,840 lakhs and Allowance for bad and doubtful debts charged in the Statement of Profit and Loss for the year ended March 31, 2021 is ₹ 2,500 lakhs (including bad debts written off ₹ 2,752 lakhs).

How our audit addressed the matter

- We evaluated and tested the Company's processes for trade receivables, including the credit control, collection and provisioning processes.
- We evaluated the management view point and estimates used to determine the Allowance for bad and doubtful debts.
- We have reviewed the ageing, tested the validity of the receivables, tested that aged trade receivables were subsequently collected, the past payment and credit history of the customer, disputes (if any) with customers and based on discussion with the Company management (information and explanation provided by them) and evidences collected, we understood and evaluated the reason for delay in realisation of the receivable and possibility of realisation of the aged receivable.
- Where there were indicators that trade receivables were unlikely to be collected,

we assessed the adequacy of allowance for impairment of trade receivables.

- We tested the sufficiency of the Allowance for bad and doubtful debts charged in the Statement of Profit and Loss for the year ended March 31, 2021

Business Reorganisation:

Why Significant

As set out in note 40 of financial statement, Pursuant to the Business Transfer Agreement ('BTA') entered on January 28, 2021 the Company acquired IT services business from its holding company Sify Technologies Limited with the appointed date being April 01, 2020. All the assets and liabilities relating to IT services business have been transferred at costs from the appointed date of April 2020. The consideration is settled by way of issue of equity shares at par value. The Board has approved the execution of business transfer agreement its holding company Sify Technologies Limited.

Business transfer involves risk of

- Appropriate transfer of transactions recorded during April 1, 2020 to March 31, 2021 in the books of Sify Technology Limited to the Company.
- The income statement transactions recorded during April 1, 2020 to July 15, 2020 is required to be disclosed as pre-incorporation profit or loss.
- Accuracy of data migration in the system and change management process during the period of migration

Matters discussed with those charged with governance [TCWG]: -

Discussion with TCWG focused on: -

a) Basis of transfer of assets, liabilities, revenue and expenses across the Companies

b) Process followed in IT system during the period of migration and during the year

c) Disclosure of pre-incorporation transactions recorded during April 1, 2020 to July 15, 2020 as part of pre-incorporation profit or loss.

How our audit addressed the matter

- We evaluated and tested the Company's processes followed for transfer of balances and transactions across the Companies.
- We evaluated the management view point and estimates used to determine the allocation of common cost across the Companies.
- We have evaluated the change management process adopted by the Company and data available with the company to ensure the changes are authorised and there is no impact on the financial statement of the Company.

Other Matters

Further, due to the second wave of spreading of COVID -19 across India, the State Government of Tamil Nadu announced a lockdown in the months of April 2021 and May 2021, which was extended with various restrictions across the India to contain the spread of the virus. This has resulted in restriction on physical visit to the client locations and the need for carrying out alternative audit procedures as per the Standards on Auditing prescribed by the Institute of Chartered Accountants of India (ICAI).

As a result of the above, certain portions of the audit was carried out based on remote access of the data as provided the management. This has been carried out based on the advisory on "Specific Considerations while conducting Distance Audit/ Remote Audit/ Online Audit under current Covid-19 situation" issued by the Auditing and Assurance Standards Board of ICAI. We have been represented by the management that the data provided for our audit purposes is correct, complete, reliable and are directly generated by the accounting system of the Company without any further manual modifications.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis

of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, based on our audit 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 as of March 31, 2021, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow for the period July 16, 2020 to March 31, 2021 dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: In our opinion and to the best of our information and according to the explanations given to us, there are no managerial remuneration is payable to its directors during the year is in accordance with the provisions of section 197 of the Act.

h) 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, as amended 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 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 13, C 14 (b) and Note 37 (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
Membership No: 028738
UDIN : 21028738AAAABR3021

Place: Chennai
Date : May 14, 2021

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2021, 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 program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to 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, Goods and Service Tax (GST), customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable

b) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) According to the records of the Company examined by us and on the basis of information and explanations given to us, there has been no default in repayment of loans transferred to the Company from Sify Technologies via business transfer agreement repayments have been done by Sify Technologies Limited.

(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 transferred from Sify Technologies Limited via Business Transfer Agreement dated January 28, 2021 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 by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon..

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

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

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

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

D K Giridharan
Partner
Membership No: 028738
UDIN : 21028738AAAABR3021

Place: Chennai
Date : May 14, 2021

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in the Independent Auditors' Report of even date to the members of Sify Digital Services Limited on the Standalone Financial Statements for the year ended March 31, 2021

We have audited the internal financial controls over financial reporting of Sify Digital Services Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone 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 authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 2021, based on " the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

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

D K Giridharan
Partner
Membership No: 028738
UDIN : 21028738AAAABR3021

Place: Chennai
Date : May 14, 2021

Balance Sheet as at March 31, 2021

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

	Note No. (D)	As at March 31, 2021
ASSETS		
(1) Non-current assets		
(a) Property, Plant and Equipment	1	4,210
(b) Right-of-use Assets	3	656
(c) Capital work in progress		-
(d) Intangible assets	2	1,383
(e) Financial assets		
(i) Trade receivables	4	271
(ii) Other financial assets	5	100
(f) Deferred Tax assets	31	597
(g) Other non-current assets	6	1,884
		9,101
(2) Current assets		
(a) Inventories	7	13,753
(b) Financial assets		
(i) Trade receivables	8	28,569
(ii) Cash and cash equivalents	9	614
(iii) Other financial assets	10	22,603
(c) Other current assets	11	4,017
		69,556
Total Assets		78,657
EQUITY AND LIABILITIES		
EQUITY		
(a) Equity Share Capital	12	20,001
(b) Other Equity	13	1,677
		21,678
LIABILITIES		
(1) Non - current liabilities		
(a) Financial liabilities		
(i) Borrowings & Lease liabilities	14	8,074
(ii) Other financial liabilities	15	113
(b) Provisions	16	1,040
(c) Other non-current liabilities	17	322
		9,549
(2) Current liabilities		
(a) Financial liabilities		
(i) Borrowings	18	8,252
(ii) Trade payables	19	
Total outstanding dues to micro enterprises and small enterprises		-
Total outstanding dues to creditors other than micro enterprises and small enterprises		24,102
(iii) Other financial liabilities	20	9,907
(b) Other current liabilities	21	5,082
(c) Provisions	16	87
		47,430
Total Equity and Liabilities		78,657

The financial information for the year ended March 31, 2020 for comparison is not available since the Company was formed on July 16, 2020 (i.e., 1st year of operation)
Significant accounting policies and notes to the financial statements (Refer notes C and D)
The accompanying notes referred to above form an integral part of the Balance Sheet

As per our report of even date attached.

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

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

C R Rao
Director

Raju Vegesna
Director

Chennai
May 14, 2021

S Ganesh
Chief Financial Officer

V Ramanujan
Company Secretary

Statement of Profit and Loss for the period ended March 31, 2021

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

	Note No. (D)	For the period from July 16, 2021 to March 31, 2021
Revenue from operations	23	61,316
Other income	24	852
Total income		62,168
Expenses		
Cost of services rendered	25 A	18,628
Purchase of stock-in-trade	25 B	19,571
Changes in inventories	25 C	1,639
Employee benefits expense	26	12,358
Finance costs	27	1,753
Depreciation and amortisation expense	1,2 and 3	1,585
Other expenses	28	5,109
Total expenses		60,643
Profit before tax		1,525
Tax expense	30	
Current Tax		(557)
Deferred Tax		597
Profit after tax		1,565
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods		
Remeasurements of net defined benefit liability/asset	34	36
Total other comprehensive income		36
Total comprehensive income for the Period		1,601
Earnings per equity share (₹ 10 paid up)	32	
Basic		0.78
Diluted		0.78

The financial information for the year ended March 31, 2020 for comparison is not available since the Company was formed on July 16, 2020 (i.e., 1st year of operation)
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.: 028738

Chennai
May 14, 2021

For and on behalf of the Board of Directors

C R Rao
Director

Raju Vegesna
Director

S Ganesh
Chief Financial Officer

V Ramanujan
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2021

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

A. Equity Share Capital

	For the period from July 16, 2021 & March 31, 2021
Change in Equity Share Capital during the period	20,001
Balance at the end of the period	20,001

B. Other Equity

	Reserves and surplus			Other Components of Equity	Total
	Securities Premium	General Reserve	Retained earnings	Remeasurements of net defined benefit liability/asset	
2020-21					
Balance as at Incorporation - (A)					
Profit for the period (from April 01, 2020 to July 15, 2020 i.e., till the date of incorporation)			76		76
Profit for the period (from July 16, 2020 till March 31, 2021)			1,565		1,565
Other comprehensive income				36	36
Total comprehensive income for the year 2020-21 - (B)			**1,641**	**36**	**1,677**
Balance as at March 31, 2021 - [(C) = (A)+(B)]			**1,641**	**36**	**1,677**

The financial information for the year ended March 31, 2020 for comparison is not available since the Company was incorporated on July 16, 2020 (i.e., 1st year of operation)

During the year under review, the Company acquired IT services business from its holding company Sify Technlogies Limited vide Business Transfer Agreement dated January 28, 2021 which is effective from April 01, 2020. The Statement of Profit and Loss for the period April 1, 2020 to July 15, 2020 (till the incorporation date of the Company) is shown separately in Note D (41) and profits from the operations is separately added to the reserves

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

For and on behalf of the Board of Directors

D K Giridharan
Partner
Membership No.: 028738

C R Rao
Director

Raju Vegesna
Director

Chennai
May 14, 2021

S Ganesh
Chief Financial Officer

V Ramanujan
Company Secretary

Cash Flow Statement for the period ended March 31, 2021

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

		For the period from July 16, 2020 to March 31, 2021
Profit before tax		1,525
Adjustments for :		
Depreciation and amortisation expense		1,585
Finance expenses (considered separately)		1,753
Allowance for doubtful debts		2,500
Provision for doubtful advances		139
Unrealised foreign exchange fluctuation loss/(gain), net		5
Interest income (considered separately)		(232)
Operating profit / (loss) before working capital changes		7,275
(Increase)/decrease in trade receivables - current		9,192
(Increase)/decrease in non current trade receivables		276
(Increase)/decrease in inventories		1,639
(Increase)/decrease in other financial assets - current		(20,836)
(Increase)/decrease in other financial assets - non current		130
(Increase)/decrease in other non current assets		544
(Increase)/decrease in other current assets		2,680
Increase/(decrease) in trade payables		3,869
Increase/(decrease) in other non current financial liabilities		(57)
Increase/(decrease) in other non current liabilities		(82)
Increase/(decrease) in other financial liabilities - current		(171)
Increase/(decrease) in other current liabilities		(2,454)
Increase/(decrease) in provisions - non current		101
Increase/(decrease) in provisions - current		8
Cash generated from operations		2,114
Tax (paid)/refund received		(1,226)
Net cash generated from operating activities	(A)	888
Cash flow from investing activities		
Purchase of Property, Plant and Equipment		(2,175)
Interest income received		199
Net cash used in investing activities	(B)	(1,976)
Cash flow from financing activities		
Proceeds from long-term borrowings		6,841
Repayment of long-term borrowings		(10,338)
Increase/(decrease) in short-term borrowings		2,652
Repayment of lease liabilities		(184)
Interest paid		(2,091)
Net cash used in financing activities	(C)	(3,120)
Effect of exchange differences on translation of cash and cash equivalents	(D)	-

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

		For the period from 16 July, 2020 to 31 March, 2021
Net increase/(decrease) in cash and cash equivalents during the period	(A) + (B) + (C) + (D)	(4,208)
Cash and cash equivalents as at July 16, 2020 (i.e., date of incorporation)		4,500
Cash and cash equivalents as at March 31, 2021# [Refer Note D (9)]		292
# Cash and cash equivalents subject to lien [Refer Note D (9)]		-
Disclosure of changes in liabilities arising from financing activities [Refer Note D (29)]		

The financial information for the year ended March 31, 2020 for comparison is not available since the Company was formed on July 16, 2020 (i.e., 1st year of operation)

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

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
May 14, 2021

For and on behalf of the Board of Directors

C R Rao
Director

Raju Vegesna
Director

S Ganesh
Chief Financial Officer

V Ramanujan
Company Secretary

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

A. COMPANY OVERVIEW

Sify Digital Services 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 IT services which includes Cloud and Managed services, Applications Integration services and Technology Integration services. The Company was incorporated on July 16, 2020. During the year under review, the Company acquired IT services business from its holding company Sify Technologies Limited vide Business Transfer Agreement dated January 28, 2021 which is effective from April 01, 2020. The Statement of Profit and Loss for the period April 1, 2020 to July 15, 2020 (till the incorporation date of the Company) is shown separately in Note D (41).

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 certain financial instruments which are measured on fair value basis and cash Flow Statement. GAAP comprises Indian Accounting Standards (Ind AS) as notified under Section 133 of the Companies Act read together with relevant rules of Companies (Indian Accounting Standards) Rules 2015 and 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 period from July 16, 2020 to March 31, 2021 have been prepared in accordance with Ind AS duly approved by the Board of Directors at its meeting held on May 14, 2021.

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 Right of Use Asset.

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. New and amended Standards

3A. Issued and effective

Ind AS 103 - Business Combination

Additional guidance on identifying business combination and definition of business have been inserted. These guidance's include optional test to identify concentration of fair value, explanation on elements of business requiring assessment whether an acquired process is substantive. When the fair value is concentrated towards a single asset, the acquisition shall be accounted as an asset acquisition. Also, the amendment provides that for an acquisition to be considered as business, the assessment of input and processes would depend on stage of the entity being acquired and hence it is important to assess whether the acquired process is substantive to be qualified as business. In other cases, the acquisition shall be accounted as an asset acquisition.

Ind AS 109 - Financial Instruments

Amendments relating to uncertainty arising from interest rate benchmark reform and temporary exceptions from applying hedging requirements

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

are given. These do not apply to the Company.

Ind AS 116 - Covid-19 related rent concessions

When there is no substantive change in the terms and conditions of the lease agreement except for concessions on rent payments due to covid-19, such concession shall not be treated as Lease Modification and disclosures required as per Ind AS 116 and Ind AS 8 need not be given.

The entity has utilised this relaxation for the leases where concessions were provided.

3B. Issued and not effective

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of consolidated financial statements.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

The Code on Social Security, 2020 relating to employee benefits during employment and post employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will assess the impact of the Code and the associated rules when it comes into effect and will record any related impact in the period the Code becomes effective.

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.

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)]

- Estimate of Lease term and measurement of Right of Use Assets and Lease Liabilities [Note C(7)]
- Measurement of defined employee benefit obligations [Note C (11)]
- Measurement of share-based payments [Note C(12)]
- Provisions [Note C(13)]
- Identification of performance obligation and timing of satisfaction of performance obligation, measurement of transaction price on revenue recognition [Note C(14)]
- Utilization of tax losses and computation of deferred taxes [Note C(17)]
- Expected Credit losses on Financial Assets [Note C(2)]
- Impairment testing [Note C(10)]

Estimation of uncertainty due to global health pandemic of COVID-19

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of this financial statement including the recoverability of carrying amounts of financial and non financial assets. The Company has, at the date of approval of these financial statements, used internal and external sources of information including credit reports and related information and economic forecasts in the light of conditions prevailing due to pandemic, and expects that the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of this financial statements.

C. SIGNIFICANT ACCOUNTING POLICIES

1. Foreign currency

(i) Foreign currency transactions and balances

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

(ii) Foreign operations

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

2. Financial Instruments

a. Financial Assets

Financial assets comprises 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 except for trade receivables which are recognised at transaction price. 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 are added to the fair value on initial recognition. 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 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

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.

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

Derecognition of financial liabilities:

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

c. Derivative financial instruments

Foreign exchange forward contracts and options are entered into by the Company to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. The Company also enters into cross currency 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 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 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.

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

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 considering the residual value to be zero. Depreciation on contract-specific assets are charged co-terminus over the contract period. Management's estimated useful lives for the year ended March 31, 2021 were as follows:

	Estimated useful life in years	Useful life prescribed by Schedule II (in years)
Plant and equipment		
- Computer servers	5	6
- Computer laptops/ desktop	3	3
Furniture and fittings	5	10
Office equipment	5	5

The management believes that the useful lives as given above best represent the period over which management expects to use these assets.

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

5. Business combinations

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

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

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

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

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

6. Intangible assets

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

Subsequent expenditure

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

Amortization of intangible assets with finite useful lives

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

	Estimate of useful life in years
System software	1 - 3
Other Intangibles	3 - 5

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

7. Leases

The Company as a lessee

The Company's lease asset class primarily consist of leases for land and buildings. The company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether: (1) the contract involves the use of an identified asset (2) the company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Company as a lessor

Leases for which the company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

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. Contract assets/liability

Contract Assets (Unbilled revenue) represents revenue in excess of billing. Contract Liability (Unearned income) represents unserved portion of billed contracts.

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

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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 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 employees of the Company are entitled to participate in Employee Stock Option Plan (ESOP) where the employees are issued options to purchase shares of the Holding Company subject to vesting period. Accordingly, the fair value of option on the Grant date is amortised over

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the vesting period with a corresponding liability recognised against the Holding Company, which will issue shares on exercise.

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

The Company derives revenue from IT services which includes Cloud and Managed services, Applications Integration services and Technology Integration services.

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

(a) Cloud and Managed Services:

Revenue from Cloud and Managed services include revenue from Cloud and storage solutions, managed services, value added services, domestic and International Managed services.

Revenues from Cloud and on demand compute and storage, are primarily fixed for a period of time. Revenue from Cloud and Managed services are series of distinct services. The performance obligations are satisfied overtime. The group recognizes service revenue as the related services are performed.

Revenues from domestic and international managed services, comprise of value added services, operations and maintenance of projects and from remote infrastructure management. Contracts from this segment are fixed and could also be based on time and material contracts.

In the case of time and material contracts, the Group recognize service revenue as the related services are performed.

In the case of fixed price contract, the group recognises revenue over a period of time based on progress towards completion of performance obligation using efforts or cost to cost measure of progress (percentage completion method of accounting).

The stage of completion is measured by efforts spent to estimated total efforts over the term of the contract.

(b) Technology Integration Services:

Revenue from Technology Integration Services include system integration Services, revenue from construction of Data Centers, network services, security solutions and to a lesser extent, revenue from sale of hardware and software.

Revenue from construction contract includes revenue from construction of Data Centers to the specific needs and design of the customer. The Group recognizes revenue at point in time, when the customer does not take control of work-in-progress or over a period of time when the customer controls the work-in-progress. In the case where revenue is recognised over a period of time and progress is measured based on the costs incurred to date as a percentage of the total estimated costs to fulfil the contract.

If the Group does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of Income in the period in which such losses become probable based on the current contract estimates.

(c) Applications Integration Services:

Revenue from Applications Integration services include online assessment, document management services, web development, digital certificate based authentication services, supply chain software and eLearning software development services. eLearning software development services consist of structuring of content, developing modules, delivery and training users in the modules developed.

Revenue from Applications Integration Services is recognised over a period of time.

The progress is measured based on the amount of time/effort spent on a project. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

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

Revenue from commissions earned on electronic commerce transactions are recognised when the transactions are completed.

Digital Certification revenues include income received on account of Web certification. Generally the Company does not hold after sale service commitments after the activation of the Digital Certificates sold and accordingly, revenue is recognised fully on the date of activation of the respective certificate.

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.

The Company accounts for goods or services of the package separately if they are distinct. i.e. if a good or service is separately identifiable from other promises in the contract and if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer.

The Company allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Standalone selling price is the price at which group would sell a promised good or service separately to the customer.

If the relative stand-alone selling prices are not available, the group estimates the same. In doing so, the group maximise the use of observable inputs and apply estimation methods consistently in similar circumstances.

Contract Cost

Costs to fulfil customer contracts i.e. the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify or the costs generate/ enhance resources of the company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future or the costs that are expected to be recovered are recognised as asset and amortized over the contract period.

Incremental costs of obtaining a contract are recognised as assets and amortized over the contract period if entity expects to recover those costs. The Company recognise incremental cost of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Costs to obtain a contract that is incurred regardless of whether the contract is obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Significant judgements on applying Ind AS 115

The Company contracts with customer include promises or arrangements to transfer multiple goods or services to a customer. The Company assess whether such arrangements in the contract has distinct goods or services (performance obligation). Identification of distinct performance obligation involves judgment to determine ability of customer to benefit independently from other promises in the contract.

The judgment is required to measure the transaction price for the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration could be fixed amount or variable amount or could be both. Transaction price could also be adjusted for time value of money if contract includes a significant financing component.

In the case of multiple arrangements in a contract, the Company allocate transaction price to each performance obligation based on standalone transaction price. The determination of standalone transaction price involves judgment.

The Company uses judgment in determining timing of satisfaction of performance obligation. The Company considers how customer benefits from goods or services as the services are rendered, who controls as the assets is created or enhanced, whether asset has an alternate use and the entity has an enforceable right to payment for performance completed to date, transfer of significant risk and reward to the customer, acceptance or sign off from the customer etc.,

The Company uses judgement when capitalising the contract cost as to whether it generates or enhances resources of the entity that will be used in satisfying performance obligation in the future.

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.

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.

(iii) arising due to taxable temporary differences 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. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions.

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. 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.

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

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

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 (issued by holding company) 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 lease twelve months after the reporting period.

All other liabilities are classified as non-current.

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

D. Notes to Accounts

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

1. Property, Plant and Equipment

The following table presents the changes in property, plant and equipment during the year ended March 31, 2021

Particulars	ORIGINAL COST				DEPRECIATION				NET BOOK VALUE
	Addition through BTA	Additions during the year (April, 2020 to March, 2021)	Deletions/ Adjustments during the year	As at March 31, 2021	Additions through BTA	For the year (April, 2020 to March, 2021)	Deletions/ Adjustments during the year	As at March 31, 2021	As at March 31, 2021
Owned assets									
Plant and equipment	9,248	1,866	2	11,112	5,878	1,244	2	7,120	3,992
Furniture and fittings	17	-	-	17	17		-	17	-
Office equipment	684	38	-	722	396	108	-	504	218
Leasehold improvements	403	-	-	403	403		-	403	-
	10,352	**1,904**	**2**	**12,254**	**6,694**	**1,352**	**2**	**8,044**	**4,210**

Notes

(a) Refer note D (22)(b) for capital commitments.

2. Intangible assets

The following table presents the changes in intangible assets during the year ended March 31, 2021

Particulars	ORIGINAL COST				DEPRECIATION				NET BOOK VALUE
	Addition through BTA	Additions during the year (April, 2020 to March, 2021)	Deletions/ Adjustments during the year	As at March 31, 2021	Addition through BTA	For the year (April, 2020 to March, 2021)	Deletions/ Adjustments during the year	As at March 31, 2021	As at March 31, 2021
System software	2,237	1,314		3,551	1,488	680		2,168	1,383
Customer related intangibles	1,168	-	-	1,168	1,168	-	-	1,168	-
	3,405	**1,314**	**-**	**4,719**	**2,656**	**680**	**-**	**3,336**	**1,383**

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

3. Right of Use Assets and Liabilities

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2021:

Particulars	ROU asset
Opening Balance	-
Additions through BTA (Net of Accumulated Depreciation)	753
Additions	-
Deletions	-
Depreciation	(97)
Balance as of March 31, 2021	**656**

Particulars	Amount
Current lease liabilities	229
Non-current lease liabilities	251
Total	**480**

The following is the movement in lease liabilities during the year ended March 31, 2021:

Particulars	Amount
Opening Balance	-
Acquired through BTA	706
Additions during the period	-
Finance cost accrued during the year	49
Deletions	-
Payment of lease liabilities	(275)
Balance as of March 31, 2021	**480**

The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2021:

Particulars	Amount
Less than one year	259
One to five years	259
More than five years	-
Total	**518**

Amounts recognised in profit or loss for the period from July 16, 2020 to March 31, 2021

Particulars	Amount
Interest on lease liabilities	-
Expenses relating to leases of low-value assets, including short-term leases of low value assets	226

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

	As at March 31, 2021
4. TRADE RECEIVABLES - NON-CURRENT	
Long term trade receivables (Unsecured, considered good)	271
	271
5. OTHER FINANCIAL ASSETS - NON-CURRENT	
Security deposits	100
	100
6. OTHER NON-CURRENT ASSETS	
Prepaid expenses	1,884
	1,884
7. INVENTORIES	
Trade inventories	13,753
	13,753
8. TRADE RECEIVABLES	
Trade receivables considered good - Secured	-
Trade receivables Unsecured	
Considered good [Refer note (a) below]	28,569
Considered doubtful	1,606
Total	30,175
Loss Allowance [Refer note (b) below]	(1,606)
Net Trade receivables	28,569

(a) This amount include receivables relating to services rendered to holding company ₹ 2,255 and ₹ 1,292 to fellow subsidiary. This amount also includes receivable towards customer contracts novation pursuant to BTA, which is in progress as on March 31, 2021 transferred from holding company ₹ 6,390 and transferred from fellow subsidiary ₹ 322. Pending confirmation from customers, the invoices have been booked in parent company / fellow subsidiary and subsequently transferred as on March 31, 2021. Also refer note D (36).

(b) The activity in loss allowance for doubtful receivables is given below:

	For the year ended March 31, 2021
Balance transferred through BTA	1,058
Add: Additional provision during the year (April, 2020 to March, 2021)	3,300
Less: Bad debts written off	(2,752)
Balance at the end of the year	1,606

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

	As at March 31, 2021
9. CASH AND CASH EQUIVALENTS	
(a) Balance with banks	
in current accounts	614
	614
Cash and cash equivalents for the purpose of Cash Flow Statement:	
Cash and cash equivalents as above	614
Less: Bank overdraft used for cash management purposes [Refer note 18 (d)]	(322)
	292
10. OTHER FINANCIAL ASSETS	
Amounts receivable from holding company / fellow-subsidiaries (Refer note below)	22,590
Interest accrued on advances and deposits	13
	22,603

Note: ₹ 20,508 is receivable from holding company and ₹ 2,082 is receivable from fellow subsidiary company on account of transfer of assets/liabilities, transfer of revenue and expenses, customer receipts received and vendor payments made by or for the parent company and fellow subsidiary pertaining to the services rendered by and for the company. Also Refer Note D(36)

		As at March 31, 2021
11. OTHER CURRENT ASSETS		
Advances other than capital advances:		
Balances with GST, service tax and sales tax authorities		11
Prepaid expenses		2,875
Advance tax and tax deducted at source (Net of Provision for Tax ₹ 608)		618
Other advances		513
	(A)	4,017
Unsecured, considered doubtful		
Advances other than capital advances		139
Less: Provision for doubtful advances [Refer note (a) below]		(139)
	(B)	-
	(A)+(B)	4,017

(a) The activity in allowance for doubtful advances are given below:

	For the year ended March 31, 2021
Balance transferred through BTA	-
Add: Additional provision during the year	139
Balance at the end of the year	139

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

	As at March 31, 2021
12. EQUITY SHARE CAPITAL	
Authorized	
21,00,00,000 equity shares of ₹ 10 each	21,000
Issued	
20,00,10,000 equity shares of ₹ 10 each	20,001
Subscribed and fully paid	
20,00,10,000 equity shares of ₹ 10 each fully paid up	20,001

(a) The equity shares are the only class of share capital having a par value of ₹ 10 per share.

(b) The equity shares are the only class of share capital having a par value of ₹ 10 per share. 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.

(c) Pursuant to the Business Transfer Agreement ('BTA') entered on 28 January, 2021, the Company had acquired IT related services business which includes Cloud and Managed services, Applications Integration services and Technology Integration services, along with tangible, intangible assets and liabiities relating to said business on a going concern basis from its holding company, Sify Technologies Limited. The consideration payable for acquisition of said business was discahrged through issue of 20,00,00,000 shares of INR 10 each as fully paid up.

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

	As at March 31, 2021	
	Number of shares	Amount paid- up
Number of shares outstanding at the beginning of the year	-	-
Initial Subscription	10,000	1
Add:Shares issued pursuant to BTA	20,00,00,000	20,000
Number of shares outstanding at the end of the year	20,00,10,000	20,001

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

	As at March 31, 2021	
	Number of Shares held	% holding
Sify Technologies Limited	20,00,10,000	100.00%

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

		As at March 31, 2021
13. OTHER EQUITY		
13.1 Reserves and surplus		
Retained earnings		
Balance at the Incorporation		-
Adjustments:		
Add: Profit for the period (from April 01, 2020 to July 15, 2020 i.e., till the date of incorporation)		76
Add: Profit for the period (from July 16, 2020 till March 31, 2021)		1,565
	(A)	1,641
Remeasurement of net defined benefit liability/asset		
Balance at the Incorporation		-
Add: Additions during the year		36
	(B)	36
	(A)+(B)	1,677

Nature and purpose of Reserves

a) **Retained Earnings**

Retained earnings represents accumulated undistributed profits of the company that can be distributed by the Company as dividends to its equity share holders.

b) **Remeasurement of Defined benefit liability / Asset**

Remeasurement of Defined benefit liability / Asset represent the cumulative actuarial gain / loss recognized in other comprehensive income and presented within equity.

14. BORROWINGS		
14.1. Term Loans		
Unsecured		
From banks [Refer Note (d)]		
From others [Refer Note (a) to (b), (e) below]		7,823
	(A)	7,823
14.2. Lease Liabilities		
Long term maturities of finance lease obligations [Refer Note (c) to (d),(e)]		251
	(B)	251
	(A) + (B)	8,074

a. These loans are primarily taken from NBFCs. Loans amounting to ₹ 16,734 including current maturities is transferred from Parent company Sify Technologies Limited pursuant to BTA

b. The loans bear interest rate ranging from 8.6% to 9.9% and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.

c. These are primarily taken from NBFCs and are secured by lease of relevant assets. Leases amounting to ₹ 480 including current maturities is transferred from 100% holding company Sify Technologies Limited pursuant to BTA

d. These bear interest rate ranging from 9% to 10.50% and repayable over a period of 12 to 60 months on equated monthly / quarterly instalments.

e. The current maturities of the above borrowings, carrying the aforesaid security and repayment terms are grouped under other financial liabilities.

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

		As at March 31, 2021
The current maturities of borrowings are as under:		
Secured		
Current maturities of finance lease obligations		229
Unsecured		
Loan from others		8,911
		9,140

15. OTHER FINANCIAL LIABILITIES - NON-CURRENT

Other liabilities		113
		113

16. PROVISIONS

Provisions for employee benefits - current		
Compensated absences		87
	(A)	87
Provisions for employee benefits - non-current		
Gratuity		751
Compensated absences		289
	(B)	1,040
	(A) + (B)	1,127

17. OTHER NON-CURRENT LIABILITIES

Contract liability (Unearned income)		322
		322

18. BORROWINGS (SHORT-TERM)

Loans repayable on demand from banks - Secured [Refer notes (a) to (d) below]		
Working capital facilities		8,252
		8,252

(a) The above facilities amounting to ₹ 8,252, 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. The outstanding facility amount is transferred from Parent Company Sify Technologies Limited pursuant to BTA. The charge creation and documentation with regard to securities is under progress and hence these facilities is in the name of Sify Technologies Limited

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

(i) exposure amounting to ₹ 5,999 is secured collaterally by way of pari-passu charge on the unencumbered movable fixed assets of the Company, both present and future. The outstanding facility amount is transferred from Parent company Sify Technologies Limited pursuant to BTA. The charge creation and documentation with regard to securities is under progress and hence these facilities is in the name of Sify Technologies Limited

(ii) exposure amounting to ₹ 3,903 is secured collaterally by way of equitable mortgage over the properties at Tidel Park, Chennai, Vashi 6th floor, Vile Parle at Mumbai and Hyderabad Property. The outstanding facility amount is transferred from Parent company Sify Technologies Limited pursuant to BTA. The charge creation and documentation with regard to securities is under progress and hence these facilities is in the name of Sify Technologies Limited

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

	As at March 31, 2021

(iii) exposure amounting to ₹ 2,253 is collaterally secured by equitable mortgage over the land and building at Noida and also covered by WDV of specific movable fixed assets funded out of their Term loan (since closed) at Noida DC, Uttar Pradesh. The outstanding facility amount is transferred from Parent company Sify Technologies Limited pursuant to BTA. The charge creation and documentation with regard to securities is under progress and hence these facilities is in the name of Sify Technologies Limited

(iv) the exposure amounting to ₹ 1,585 is collaterally secured by equitable mortgage over the Vashi 5th floor property at Mumbai. The outstanding facility amount is transferred from Parent company Sify Technologies Limited pursuant to BTA. The charge creation and documentation with regard to securities is under progress and hence these facilities is in the name of Sify Technologies Limited

(c) These working capital facilities bear interest ranging from 5.4% p.a. to 9.45% p.a. and these facilities are subject to renewal annually.

(d) Working capital facilities comprises the following:

Bank overdraft	322
Other working capital facilities	7,930
	8,252

19. TRADE PAYABLES

Towards purchase of goods and services *	
(A) Total outstanding dues to micro enterprises and small enterprises	-
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	23,994
Other payables	108
	24,102

* Includes :

(a) This amount include payables relating to services received from fellow subsidiary ₹ 574. This amount also includes ₹ 6,420 transferred from holding company on account of amount payable towards vendor contracts novation pursuant to BTA, which is in progress as on March 31, 2021. Pending confirmation from vendors, the invoices have been booked in parent company and subsequently transferred as on March 31, 2021. Also refer note D (36).

(b) There are no dues payable to micro, small and medium enterprises as on March 31, 2021 - Refer note D (43)

20. OTHER FINANCIAL LIABILITIES

Capital creditors	113
Current maturities of other loans**	8,911
Current maturities of finance lease obligations**	229
Interest accrued	145
Deposits from customers	206
Other payables	303
	9,907

** Also refer note D(14)

21. OTHER CURRENT LIABILITIES

Advances received from customers	2,165
Statutory payables	482
Contract liability (Unearned income)*	2,289
Other payables	146
	5,082

*Refer note D(42) for the movement in Contract liability (Unearned income)

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

	As at March 31, 2021

22. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

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.

(b) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for	635

23. REVENUE FROM OPERATIONS

	For the period from July 16, 2020 to March 31, 2021
Sale of Services:	
- Domestic	39,207
- Export	3,472
Sale of Products:	
- Domestic	18,637
	61,316

24. OTHER INCOME

Interest income	
From banks	188
Others	44
Other non-operating income	
Miscellaneous income	620
	852

25. COST OF GOODS SOLD AND SERVICES RENDERED

A. Cost of services rendered	
Direct costs	18,628
	18,628
B. Purchases of Stock in Trade	19,571
C. Changes in inventories - Stock in Trade	
Opening inventory	15,392
Less: closing inventory	(13,753)
	1,639
	39,838

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

	For the period from July 16, 2020 to March 31, 2021
26. EMPLOYEE BENEFITS EXPENSE	
Salaries and wages	11,588
Contribution to provident and other funds	623
Staff welfare expenses	88
Share-based payments to employees*	59
	12,358

*Also refer note C (12)

27. FINANCE COSTS	
Interest	1,655
Other finance costs	98
	1,753
28. OTHER EXPENSES	
Communication expenses	35
Rent	226
Rates and taxes	206
Travelling expenses	53
Power and fuel expenses	164
Legal and professional	421
Payment to auditors	
- Statutory audit fees	13
Repairs and maintenance expenses	
- Plant and machinery	241
- Buildings	179
- Others	223
Insurance	26
Outsourced manpower costs	483
Loss on foreign exchange fluctuation (net)	11
Allowance for bad and doubtful debts (Net of bad debts written off ₹ 2,752)	2,500
Miscellaneous expenses	328
	5,109

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

29. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES FOR THE PERIOD FROM JULY, 16 2020 TO MARCH 31, 2021

(i) Long term borrowings *

				Non cash movement	
Particulars	As at July 16, 2020	Proceeds	Repayment	Fair value adjustment	As at March 31, 2021
Term loans from Bank	-	-	-	-	-
Term loans from Others	20,133	6,841	(10,338)	98	16,734
Finance lease obligations	702	-	(184)	(38)	480
Total	**20,835**	**6,841**	**(10,522)**	**60**	**17,214**

*including current maturities

(ii) Short term borrowings

Particulars	As at July 16, 2020	Cash flow	Foreign exchange movement	As at March 31, 2021
Working capital facilities excluding overdraft*	5,278	2,652	-	7,930
Other short term borrowing	-	-	-	-
Total	**5,278**	**2,652**	**-**	**7,930**

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

30. 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

	As at March 31, 2021
Deferred tax assets on temporary deductible differences	
Property, Plant and Equipment	490
Provision for employee benefits	47
Accounts receivable	404
	941
Deferred tax liabilities on temporary taxable differences	
Intangible assets	(344)
	(344)
Net deferred tax asset recognised in Balance Sheet	597

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of deferred tax assets will be realized. The ultimate realization of the deferred tax assets 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 recognizes deferred tax assets on deductible temporary differences to the extent of deferred tax liabilities on taxable temporary 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

	Provision for employee benefits	Property, Plant and Equipment	Intangible assets	Finance lease obligations	Accounts receivable
Balance as at April 01, 2020					
Recognised in income statement	47	490	(344)	-	404
Recognised in Equity	-	-	-	-	-
Balance as at March 31, 2021	47	490	(344)	-	404

Unrecognised deferred tax asset

	As at March 31, 2021
Deductible temporary differences	35
Unrecognised tax losses	
- Unabsorbed depreciation	-
Unrecognised deferred tax asset	35

Income tax expense recognized in profit or loss

	For the year ended March 31 2021
Current tax expense/ (reversal) for the period April 01, 2020 to July 15, 2020	51
Current tax expense/ (reversal) for the period July 16, 2020 to March 31, 2021	557
Deferred tax liability / (asset)	(597)
	11

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 (April 01, 2020 to July 15, 2020)	127
Profit before taxes (July 16, 2020 to 31 March 2021)	1,525
Enacted tax rates in India	25.17%
Expected tax expense/(benefit)	416
Effect of :	
Recognition of previously unrecognised deferred tax asset on temporary differences	(597)
Unrecognised temporary differences	35
Recognition of current year temporary differences	157
	11

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

	For the year ended March 31 2021

31. EXPENDITURE IN FOREIGN CURRENCY

(i) Expenditure (on accrual basis)

Legal and professional charges	6
Networking costs	135
Other direct costs	288
Personnel expenses	3
Others	13
	445

32. RECONCILIATION OF EQUITY SHARES IN COMPUTING WEIGHTED AVERAGE NUMBER OF EQUITY SHARES

(a) Weighted average number of shares

Initial subscription	10,000
Issued pursuant to BTA	20,00,00,000
Weighted average number of equity shares outstanding	20,00,10,000

33. FOREIGN CURRENCY EXPOSURE

The details of foreign currency exposure as at March 31, 2021 are as follows:

Particulars	As at March 31, 2021		
	Foreign Currency	Amount in foreign currency	Amount in Indian Rupees
Amounts receivable in foreign currency on account of:			
Trade Receivables	GBP	*	28
	USD	7	510
	EUR	*	6
			544
Amounts payable in foreign currency on account of:			
Trade Payables	USD	5	372
	DHS	*	1
			373

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

34. EMPLOYEE BENEFITS

a. Defined benefit plans (Gratuity)

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

Service cost	154
Interest cost	37
Remeasurement (gain)/losses	(36)
Benefits paid	(59)
Acquisition adjustment on account of BTA	654
Projected benefit obligation at the end of the year	750

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

	For the year ended March 31 2021
Amount recognised in the Balance Sheet	
Present value of projected benefit obligation at the end of the year	750
Funded status amount of liability recognised in the Balance Sheet	750
Expense recognised in the Statement of Profit and Loss	
Service cost	154
Interest cost	37
Net gratuity costs	191

Summary of actuarial assumptions

Discount rate	5.70% p.a.
Salary escalation rate	0% for the first year and 5% thereafter
Average future working life time	4.38 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.

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

The company is in the process of transferring employees from parent company pursuant to BTA. Currently the employees are on deputation from the Parent Company. Contribution to Plan Assets would be made during the current year in accordance with the contribution policy of the company.

	As at March 31, 2021
The expected cash flows over the next few years are as follows:	
1 year	129
2 to 5 years	443
6 to 10 years	285
More than 10 years	157
Remeasurement of the net defined benefit liability recognised in other comprehensive income	
Amount recognised in other comprehensive income for the year ended March 31, 2021 are as follows:	
Remeasurement (gain) /loss arising from	
- change in financial assumptions	(41)
- experience variance	5
	(36)

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

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, 2021	
	Decrease	Increase
Discount rate (-/+ 1%)	787	716
(% change compared to base due to sensitivity)	4.9%	(4.5%)
Salary Growth rate (-/+ 1%)	715	787
(% change compared to base due to sensitivity)	(4.6%)	4.9%

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 ₹ 663 for the period from April, 2020 to March, 2021. The company is in the process of transferring employees from parent company pursuant to BTA. Currently the employees are on deputation from the Parent Company and hence the contribution to the plan was made by the parent company and transferred subsequently to subsidiary companies as on March 31, 2021.

35. SEGMENT REPORTING

The Company publishes this financial statement along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

36. RELATED PARTIES AND TRANSACTIONS

(a) Related parties

The related parties where control / significant influence exists are holding company, fellow 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, 2021 are as follows:

Particulars	Related Parties	Country of Incorporation	% of ownership interest
Ultimate Holding company	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	-
Holding company	Sify Technologies Limited	**India**	**100%**
Fellow Subsidiaries	Sify Technologies (Singapore) Pte. Limited	**Singapore**	
	Sify Technologies North America Corporation	**USA**	
	Sify Data and Managed Services Limited	**India**	
	Sify Infinit Spaces Limited	**India**	
	Print House (India) Private Limited	**India**	

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

(b) Related party transactions and balances

Following is a summary of related party transactions for the year ended March 31, 2021:

Transactions	Sify Technologies Limited	Sify Infinit Spaces Limited	Sify Technologies North America Corporation
Receipt of services#	2,833	574	-
Rendering of services	2,257	-	2,886
Advances received on account of BTA*	5,500	-	-
Revenue transfers on account of BTA*	20,105	3,256	-
Expenses transfers on account of BTA*	10,862	1,039	-
Amounts received on account of BTA*	-	187	-
Shares issued pursuant to BTA	20,001	-	-
Amount of outstanding balances			
Trade payable	-	574	-
Amounts receivable on account of BTA*	20,478	2,404	-
Trade receivable	2,255	-	1,292

* Pursuant to BTA which is effective from February 01, 2021 with appointed date of April 1, 2020, the transactions that were recorded in the parent company and the balances as on January 31, 2021 pertaining the businesses that were transferred have been transferred to the subsidiary companies respectively. The customer and vendor contracts novation is in progress as on March 31, 2021. Pending confirmation from customers and vendors, the invoices have been booked in parent company and subsequently transferred to subsidiary companies as on March 31, 2021.

Pursuant to agreement for shared services between entities, the billing from parent entity to the subsidiary entities and vice versa is part of the services rendered and services received.

37. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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. There are no forward contracts outstanding as at March 31, 2021.

b. Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2021 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					
Trade receivables	28,840	-	-	28,840	28,840
Cash and cash equivalents	614	-	-	614	614
Other financial assets	22,703	-	-	22,703	22,703
Liabilities					
Borrowings from banks	7,930	-	-	7,930	7,930
Borrowings from others	16,734	-	-	16,734	16,734

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

Particulars	Financial assets/ liabilities at amortised costs	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTOCI	Total carrying value	Total fair value
Bank overdraft	322	-	-	322	322
Lease Liabilities	480	-	-	480	480
Trade payables	24,102	-	-	24,102	24,102
Other financial liabilities	880	-	-	880	880

Details of financial assets pledged as collateral

The carrying amount of financial assets as at March 31, 2021 that the Company has provided as collateral for obtaining borrowing and other facilities from the bankers are as follows:

	As at March 31, 2021
Trade receivables	28,840
Cash and cash equivalents	614
Other financial assets	22,703
	52,157

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

	For the period from July 16, 2020 to March 31, 2021
(a) **Financial assets at amortised cost**	
Interest income on bank deposits	188
Interest income on other financial assets	44
Impairment on trade receivables	(2,500)
(b) **Financial assets/liabilities at fair value through profit or loss (FVTPL)**	
Net gains/(losses) on fair valuation of derivative financial instruments	-
(c) **Financial liabilities at amortised cost**	
Interest expenses on lease obligations	-
Interest expenses on borrowings from banks, others and overdrafts	(1,655)

38. 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 Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the risk management framework. The Board of Directors are 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 Board of Directors.

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

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. 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, 2021 was as follows:

	As at March 31, 2021
Other investments	-
Trade receivables	28,840
Cash and cash equivalents	614
Other financial assets	22,703
	52,157

Financial assets

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)	As at March 31, 2021
Less than 180 days	18,985
181 - 270 days	4,321
271 - 365 days	1,237
More than 365 days	4,297
	28,840

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, other assets, other receivables and finance lease receivables are neither past due nor impaired.

Pursuant to BTA, Trade Receivables relating to Cloud & Managed Services, Technology Integration Services & Application Integration Services has been transferred from its holding company, Sify Technologies Limited

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

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

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, 2021

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years	> 5 Years
Non-derivative financial liabilities						
Borrowings from banks	7,930	8,057	8,057	-	-	-
Borrowings from others	16,734	18,287	9,838	7,112	1,337	-
Bank overdraft	322	322	322	-	-	-
Lease Liabilities	480	480	229	251	-	-
Trade payables	24,102	24,102	24,102	-	-	-
Other financial liabilities	880	880	880	-	-	-
	50,448	52,128	43,428	7,363	1,337	-

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 Board of Directors.

The Company's exposure to foreign currency risk as at March 31, 2021 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	-	7	(5)	-	2
GBP	-	*	-	-	*
EUR	-	*	-	-	*
DHS	-	-	*	-	*

* Amount below rounding off norm adopted by the Company

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

A 10% strengthening of the rupee against the respective currencies as at March 31, 2021 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.

	Other comprehensive income	Profit/(loss)
March 31, 2021	-	(17)

A 10% weakening of the rupee against the above currencies as at March 31, 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk:

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

Profile

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

	Carrying amount March 31, 2021
Fixed rate instruments	
Financial assets	
- Fixed deposits with banks	-
Financial liabilities	
- Borrowings from banks	-
- Borrowings from others	17,214
Variable rate instruments	
Financial liabilities	
- Borrowings from banks	7,930
- Bank overdrafts	322

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.

	Equity	Profit or (loss)
March 31, 2021	-	(25)

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.

39. 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, 2021 is ₹ 21,678.

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

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

		As at March 31, 2021
Debt		25,466
Less: cash and bank balances		(614)
Net debt	A	24,852
Equity	B	21,678
Net debt to Equity ratio	A/B	115%

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

40. BUSINESS ACQUISITION THROUGH BUSINESS TRANSFER AGREEMENT

Pursuant to the Business Transfer Agreement ('BTA') entered on January 28, 2021 the Company acquired IT services business from its holding company Sify Technologies Limited with the appointed date being April 01, 2020. All the assets and liabilities relating to IT services business have been transferred at costs from the appointed date of April 01, 2020. The consideration is settled by way of issue of equity shares at par value.

The carrying amount of assets and liabilities transferred is as follows:

	As at 01 April, 2020
ASSETS	
(1) Non-current assets	
(a) Property, Plant and Equipment	3,634
(b) Right-of-use Assets	753
(c) Intangible assets	750
(d) Financial assets	
(i) Trade receivables	564
(ii) Other financial assets	168
(e) Other non-current assets	2,261
	8,130
(2) Current assets	
(a) Inventories	13,021
(b) Financial assets	
(i) Trade receivables	45,619
(ii) Cash and cash equivalents	7,782
(iii) Other financial assets	131
(c) Other current assets	4,619
	71,172
Total Assets	**79,302**

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

	As at 01 April, 2020
LIABILITIES	
(1) Non - current liabilities	
(a) Financial liabilities	
(i) Borrowings & Lease liabilities	9,375
(ii) Other financial liabilities	180
(b) Provisions	912
(c) Other non-current liabilities	427
	10,894
(2) Current liabilities	
(a) Financial liabilities	
(i) Borrowings	8,463
(ii) Trade payables	
Total outstanding dues to micro enterprises and small enterprises	-
Total outstanding dues to creditors other than micro enterprises and small enterprises	21,961
(iii) Other financial liabilities	12,392
(b) Other current liabilities	5,517
(c) Provisions	75
	48,408
Total Liabilities	**59,302**
Excess of Assets over Liabilities	**20,000**
Represented by	
Shareholder's Funds	
Equity Share Capital	20,000

The consideration payable for acquisition of said business was discharged by the Company though issue of 20,00,00,000 equity shares of ₹ 10 each at par, as fully paid-up.

41. STATEMENT OF PROFIT AND LOSS TILL THE DATE OF INCORPORATION

Pursuant to Business transfer agreement, the IT services business was vested into the company from April 01,2020. The Statement of Profit and Loss for the period April 1, 2020 to July 15, 2020 (till the incorporation date of the Company) is as follows:

	For the period from April 01, 2020 to July 15, 2020
Revenue from operations	15,698
Other income	19
Total income	**15,717**
Expenses	
Cost of services rendered	4,989
Purchase of stock-in-trade	4,773
Changes in inventories	(2,371)

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

	For the period from April 01, 2020 to July 15, 2020
Employee benefits expense	5,040
Finance costs	741
Depreciation and amortisation expense	544
Other expenses	1,874
Total Expenses	**15,590**
Profit before tax	**127**
Tax expense	(51)
Profit after tax	**76**
Earnings per equity share (₹ 10 paid up)	
Basic	0.04
Diluted	0.04

42. CONTRACT BALANCES

Particulars	March 31, 2021	
Trade Receivables		28,840
Contract liabilities – Deferred Income		
Current contract liabilities	2,289	
Non current contract liabilities	322	
Total Contract liabilities – Deferred Income		2,611

The following table provides the movement in contract liabilities (Deferred Income) for the year ended March 31, 2021

Particulars	Amount
Balance as of April 1, 2020	-
Add: Transferred through BTA	3,933
Less: Revenue recognized during the year (April 2020 to March 2021)	38,000
Add: Invoiced during the year but revenue not recognised (April 2020 to March 2021)	36,678
Balance as of March 31, 2021	2,611

43. DUES TO MICRO, SMALL OR MEDIUM ENTERPRISES

As per the Office memorandum issued by the Ministry of Micro, Small and Medium Enterprises dated August 26, 2008 recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2021 has been made in the financial statements based on information received and available with the Company. As per the records available with the company, there are no dues payable to micro, small and medium enterprises as on March 31, 2021. The Company has not received any claim for interest from any supplier as at the balance sheet date.

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

Particulars	As at March 31, 2021
a. the principal amount and the interest due thereon remaining unpaid at the end of accounting year	-
b. the amount of interest paid by the buyer beyond the appointed day during the accounting year	-
c. the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-
d. the amount of interest accrued and remaining unpaid at the end of the accounting year	-
e. the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-

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

C R Rao
Director

Raju Vegesna
Director

Chennai
May 14, 2021

S Ganesh
Chief Financial Officer

V Ramanujan
Company Secretary

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