

SIFY TECHNOLOGIES LTD
Form 20-F
July 21, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended March 31, 2014.

Or

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

..

SHELL COMPANY PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Date of event requiring this shell Company report _____

Commission file number 000-27663

Sify Technologies Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation at Registrant's name into English)

Chennai, Tamil Nadu, India

(Jurisdiction of incorporation or organization)

Tidel Park, 2nd Floor

4, Rajiv Gandhi Salai

Taramani, Chennai 600 113 India

(91) 44-2254-0770, Fax (91) 44 -2254 0771

(Address of principal executive office)

M.P.Vijay Kumar, Chief Financial Officer, (91) 44-2254-0770; vijaykumar.mp@sifycorp.com

Tidel Park, 2nd Floor, 4, Rajiv Gandhi Salai, Taramani, Chennai 600113 India

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of each class	Name of each Exchange on which registered
American Depository Shares, each represented by One Equity Share, par value 10 per share	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act

Title of each class Name of each Exchange on which registered

None Not Applicable

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act

Not Applicable

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

178,530,787 Equity Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer **Accelerated filer** Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP **International Financial Reporting Standards as issued by the International Accounting Standards Board** Other

If this is an annual report, indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references in this annual report to “we,” “us,” the “Company,” “Sify” or “Satyam Infoway” are to Sify Technologies Limited, a limited liability Company organized under the laws of the Republic of India. References to “U.S.” or the “United States” are to the United States of America, its territories and its possessions. References to “India” are to the Republic of India. In January 2003, we changed the name of our Company from Satyam Infoway Limited to Sify Limited. In October 2007, we again changed our name from Sify Limited to Sify Technologies Limited. “Sify”, “SifyMax.in.”, “Sify e-ports” and “Sify online” are trademarks used by us for which we have already obtained registration certificates in India. All other trademarks or trade names used in this Annual Report on Form 20-F for the year ended March 31, 2014 (the “Annual Report”) are the property of their respective owners. In this Annual Report, references to “\$,” “Dollars” or “U.S. dollars” are to the legal currency of the United States, and references to “₹”, “Rs.,” “rupees” or “Indian rupees” are to the legal currency of India. References to a particular “fiscal” year are to our fiscal year ended March 31 of such year. References to the “Group” mean Sify Technologies Limited and its subsidiaries. References to “equity shares” refer to our Indian Equity Shares, which are not traded on an exchange in India or the United States. References to “ADS’s” or “ADSs” refer to our American Depositary Shares, which are traded on the NASDAQ Global Select Market under the symbol “SIFY.”

For your convenience, this Annual Report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Annual Report, all translations from Indian rupees to U.S. dollars contained in this Annual Report have been based on the reference rate in the City of Mumbai on March 31, 2014 for cable transfers in Indian rupees as published by the Reserve Bank of India (RBI), which was 60.10 per \$1.00.

Our financial statements are presented in Indian rupees and prepared in accordance with English version of International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. In this Annual Report, any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Information contained in our websites, including our corporate website, *www.sifycorp.com*, is not part of this Annual Report.

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Forward-Looking Statements

This Annual Report contains “forward-looking statements”, as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about our Company, our industry, economic conditions in the markets in which we operate, and certain other matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as 'anticipate', 'believe', 'estimate', 'expect', 'may', 'intend', 'will', 'project', 'seek', 'should' and similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. These statements are subject to known and unknown risks, uncertainties and other factors, which may cause actual results or outcomes to differ materially from those implied by the forward-looking statements. Important factors that may cause actual results or outcomes to differ from those implied by the forward-looking statements include, but are not limited to, those discussed in the “Risk Factors” section in this Annual Report. In light of these and other uncertainties, you should not conclude that the results or outcomes referred to in any of the forward-looking statements will be achieved.

We operate in rapidly changing businesses, and new risk factors emerge from time to time. We cannot predict every risk factor, nor can we assess the impact, if any, of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. All forward-looking statements included in this Annual Report are based on information available to us, and reflect management’s beliefs, on the date hereof, and we do not undertake to update these forward-looking statements to reflect future events or circumstances. In addition, readers should carefully review the other information in this Annual Report and in our periodic reports and other documents filed with the United States Securities and Exchange Commission (“SEC”) from time to time.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

Summary of Consolidated Financial Data

You should read the summary consolidated financial data below in conjunction with the Company's consolidated financial statements and the related notes, as well as the section entitled "Operating and Financial Review and Prospects," all of which are included elsewhere in this Annual Report. The summary consolidated statements of income data for the five years ended March 31, 2014, 2013, 2012, 2011 and 2010 and the summary consolidated Statement of Financial Position as of March 31, 2014, 2013, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements and related notes to the consolidated financial statements which were prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). Historical results are not necessarily indicative of future results.

Table of Contents**Sify Technologies Limited****Consolidated Statement of Income****(In thousands of Rupees, except share and per share data****and as otherwise stated)**

	Year ended March 31,					2014 Convenience translation into US\$ in thousands, except share and per share data (See Note1)
	2014	2013	2012	2011	2010	
Revenue	10,460,229	8,570,316	7,698,949	6,886,629	6,710,188	174,048
Cost of goods sold and services rendered	(6,136,860)	(5,340,910)	(5,124,090)	(4,515,488)	(4,339,089)	(102,111)
Other income	93,461	50,858	37,377	72,693	131,789	1,555
Selling, general and administrative expenses	(2,739,813)	(2,451,474)	(2,083,892)	(2,135,741)	(2,239,864)	(45,588)
Depreciation and amortization	(1,101,243)	(848,210)	(691,560)	(685,836)	(656,797)	(18,323)
Impairment loss on intangibles including goodwill	-	-	-	(1,857)	(47,269)	-
Income from legal settlement	-	-	-	-	561,120	-
Profit / (loss) from operating activities	575,774	(19,420)	(163,216)	(379,600)	120,078	9,581
Finance income	120,248	73,853	59,313	45,698	27,994	2,001
Finance expenses	(377,622)	(260,441)	(306,732)	(258,622)	(293,873)	(6,284)
Net finance income / (expense)	(257,374)	(186,588)	(247,419)	(212,924)	(265,879)	(4,283)
Profit from sale of equity accounted investee and rights therein	-	657,577	-	-	-	-
Share of profit of equity accounted investee (net of income tax)	-	-	27,298	73,032	91,135	-
Profit / (loss) before tax	318,400	451,569	(383,337)	(519,492)	(54,666)	5,298
Income tax (expense) / benefit	-	-	-	-	81,479	-

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Profit / (loss) for the year	318,400	451,569	(383,337)	(519,492)	26,813	5,298
Attributable to:						
Equity holders of the Company	318,400	451,569	(383,337)	(519,492)	17,027	5,298
Non-controlling interest			-	-	9,786	-
	318,400	451,569	(383,337)	(519,492)	26,813	5,298
Earnings / (loss) per share						
Basic earnings /(loss) per share	2.33	3.43	(3.71)	(8.20)	0.33	0.04
Diluted earnings/(loss) per share	2.33	3.43	(3.71)	(8.20)	0.33	0.04

Table of Contents**Particulars****(Rupees in thousands, except share and per share data)****Balance Sheet data**

	March 31,					Convenience translation into US\$ in thousands, except share and per share data (see note 1) 2014 \$
	2014	2013	2012	2011	2010	
Cash and cash equivalents including restricted cash	1,270,127	1,001,052	892,768	543,097	878,698	21,134
Net current assets	1,110,210	755,219	995,834	(36,354)	(46,814)	18,474
Total assets	14,114,363	11,799,408	10,582,818	9,238,371	9,345,824	234,849
Total equity attributable to equity shareholders of the Company	6,955,653	6,311,422	5,850,654	4,665,792	4,171,092	115,735
Cash Flow Data						
Net cash provided by / (used in):						
Operating activities	968,441	463,407	600,214	225,359	759,802	16,114
Investing activities	(806,684)	(212,748)	(901,971)	(730,650)	(896,683)	(13,422)
Financing activities	114,999	11,232	536,407	551,700	(354,486)	1,914

Notes

The convenience translation to U.S. Dollars was performed at the reference rate in the City of Mumbai for cable transfers as published by Reserve Bank of India on March 31, 2014 of 60.10 per \$1.00, which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at this rate or at all.

2.

Reference to shares and per share amounts refer to our equity shares. Our outstanding equity shares include equity shares held by a depository underlying our ADSs. Effective September 24, 2002, one ADS represented one equity share.

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Our functional currency is the Indian rupee. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. Our exchange rate risk primarily arises from our foreign currency revenues, receivables and payables.

The following table sets forth the high and low exchange rates for the previous six months and is based on the reference rate in the City of Mumbai on business days during the period for cable transfers in Indian rupees as published by the Reserve Bank of India (RBI).

Month	High Rs.	Low Rs.
June 2014	60.37	59.06
May 2014	60.34	58.43
April 2014	61.12	59.64
March 2014	61.90	60.09
February 2014	62.69	61.93
January 2014	62.98	61.35

The following table sets forth, for the fiscal years indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the reference rate in the City of Mumbai on business days during the period for cable transfers in Indian rupees as published by the Reserve Bank of India (RBI). The column titled 'Average' in the table below is the average of the last business day of each month during the year.

Fiscal Year Ended	Period			
	end Rs.	Average Rs.	High Rs.	Low Rs.
March 31 2014	60.10	60.49	68.36	53.74
2013	54.39	54.53	57.22	50.56
2012	51.16	47.94	54.23	43.94
2011	44.65	45.58	47.57	44.03
2010	45.14	47.36	50.53	44.94

On March 31, 2014, the reference rate in the City of Mumbai for cable transfers in Indian rupees as published by RBI was 60.10.

On July 18, 2014, the reference rate in the City of Mumbai for cable transfers in Indian rupees as published by RBI was 60.33

Capitalization and indebtedness

Not applicable.

Reasons for the offer and use of proceeds

Not applicable.

Risk Factors

This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following risk factors and elsewhere in this Annual Report.

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Risks Related to our Company and Industry

We may incur losses in the future and we may not achieve or maintain profitability.

We have made a net profit of 318 million (\$5.31 million) for the year ended March 31, 2014 with an accumulated deficit of 13,220 million (\$219.97 million) as at March 31, 2014. We may in the future incur net losses and suffer negative operating cash flows. We expect to increase our expenditures as we continue to expand our services, promote our brand, and invest in the expansion of our infrastructure. We have and in the future may incur expenses in connection with investments in Data Centres and infrastructure. Accordingly, we will need to generate significant additional revenues in order to become profitable. Our business model is not yet consistently proven in the Indian Information and Communications Technology (ICT) space, and we cannot assure you that we will improve our profitability or that we will not incur operating losses in the future. If we are unable to become consistently profitable and continue to sustain losses, we will be unable to build a sustainable business and our results of operations will be adversely affected. In this event, the price of our ADSs and the value of your investment may decline

We may fail to meet such obligations of export under the Export Promotion Capital Goods Scheme (EPCG) and be subjected to penalties.

During the year 2012-13, we availed the duty benefit for our import of capital goods under the EPCG scheme available for export of services. Under the scheme, we are eligible to import capital goods without import duty with an obligation to generate export earnings to the extent of 6 times (March 2013: 8 times) the value of such duty benefit availed within a period of 6 years (March 2013: 8 years). Though there are export earnings at present, we may fail to fulfill such obligation in the future. In the case of a shortfall in fulfilment of such export obligation as of March 31, 2014, we may be subjected to repay the duty benefit availed along with interest.

The global economic environment increased pricing pressure and decreased utilization rates could negatively impact our revenues and operating results.

Spending on technology products and services in most parts of the world has been rising steadily for the past several years. However, there was a decline in the growth rate of global IT purchases due to the interim economic slowdown and we believe the market may not recover in the same pace in the near term.

With regard to the Indian economy, pricing and competition continue to be under pressure. Lead times for orders or contracts have become much longer, as we have longer credit periods. These factors have affected and would affect

the growth in demand for our corporate business.

Overseas economic performance also has a bearing on our Infrastructure and e-Learning businesses. Currency fluctuations will also lead to variations in revenue. The Infrastructure Managed Services, National Long Distance ('NLD') / International Long Distance ('ILD') business and eLearning may be affected in terms of prices and growth.

Reduction in IT spending and extended credit terms arising from or related to the economic slowdown, and any resulting pricing pressures, reduction in billing rates, increased credit risk may adversely impact our revenues, gross profits, operating margins and results of operations.

Currency fluctuations may affect the results of our operations or the value of our ADSs.

The exchange rate between the Indian rupee and the U.S. dollar has changed significantly in recent years and may continue to fluctuate substantially in the future.

We use derivative financial instruments, such as foreign exchange forward and option contracts, to mitigate the risk of changes in foreign exchange rates on accounts receivable and payable and forecast cash flows denominated in US dollar. We may not purchase derivative instruments for a sufficient amount to adequately insulate ourselves from foreign currency exchange risks.

For the year ended March 31, 2014, we have recognized a loss of 5.28 million (\$0.09 million) on foreign exchange translations. If foreign exchange currency markets continue to be volatile, such fluctuations in foreign currency exchange rates could materially and adversely affect our results of operations in future periods. Also, the volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively and make them expensive.

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Further, the policies of the Reserve Bank of India (RBI) may change from time to time which may limit our ability to hedge our foreign currency exposures adequately. On August 2, 2011, the RBI issued Comprehensive Guideline on Derivatives to the banks/dealers with regard to suitability and appropriateness policy for offering derivative products to users. In addition, a high-level committee appointed by the Reserve Bank of India had recommended that India move to increased capital account convertibility, and proposed a framework for such increased convertibility. Full or increased capital account convertibility, if introduced, could result in increased volatility in the fluctuations of exchange rates between the Indian rupee and US dollar. Our US customers may leave us exposed to fluctuation in revenues based on currency fluctuations.

In July 2012, the RBI has mandated conversion of foreign currency balances held in Export Earners Foreign Currency (EEFC) Accounts, before the end of subsequent month of the transaction. This may force us to convert foreign currency balances to INR at an unfavorable exchange rate, which will result in loss.

We may encounter legal confrontations as the Information Technology Act 2000 lacks specificity as to issues on online processes and/or Internet.

We believe that the Information Technology Act of 2000 as amended in 2011 (the "ITA"), an Indian regulation, does not address all areas of online processes or the Internet. In exercise of the powers conferred by the ITA, the Government of India issued rules in April 2011 called Information Technology rules with stringent privacy norms for Internet Service Providers and the intermediary who is handling sensitive personal information. The ITA has mandated the service providers to maintain transactions, receipts, vouchers in specific formats. The records should be produced for inspection and audit by a government nominated agency or person. The Government of India is authorized to audit security and privacy protection measures. We are exposed to risks relating to unauthorized access and non-compliance of regulations by our business partners. Such events may negatively affect our reputation, and violations of the Information Act may result in fines, litigation or cause us to incur legal costs, which may adversely affect our business and results of operations.

Intense competition in our businesses could prevent us from improving our profitability and we may be required to further modify the rates we charge for our services in response to new pricing models introduced by new and existing competition which would significantly affect our revenues.

Our corporate network services compete with well-established companies, including Bharti Airtel, Tata Communications Limited or TCL, Reliance Infocomm, Tata Teleservices, and the Government-owned telecom companies, Bharat Sanchar Nigam Limited or BSNL and Mahanagar Telephone Nigam Limited or MTNL.

A significant number of competitors have entered India's Internet service provider industry. The large players, especially the state run telecommunication companies, may enjoy significant competitive advantages over us, including greater financial resources, which could allow them to charge prices that are lower than ours in order to attract customers. These factors have resulted in periods of significant reduction in actual average selling prices for our services. We expect the market for Internet access and other connectivity services to remain extremely price competitive. Increased competition may result in operating losses, loss of market share and diminished value in our services, as well as different pricing, service or marketing decisions. In addition, competition may generally cause us to incur unanticipated costs associated with research and product development. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as the availability of skilled employees in India, the price at which our competitors offer comparable services, and the extent of our competitors' responsiveness to their clients' needs. We cannot assure you that we will be able to successfully compete against current and future competitors, or that we will not lose key employees or customers to such competitors, which may adversely affect our business and results of operations.

Margin squeeze may affect the results of our operations.

Our margins have been stagnant recently due to competitive pricing pressure. Competition will continue to increase with the entry of new competitors into the enterprise service category. However, these competitors generally would prefer to operate with a few global customers who have business interest in India. They may attract customers for managed hosting services with their capability of superior network and competitive pricing. We expect the market for such services to remain extremely price competitive. Increased competition may result in the reduction in profit margin which would impact the results of our operations.

Procuring power at lower costs for Data Centres by the competitors may put us at a disadvantage in terms of pricing for our Data Centre operations.

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

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We have added a number of new business offerings over the years like International Voice and Data, Collaborative tools, DC build on BoT, Managed services delivery on Cloud platform, Web based solutions among others.

The risks we face in developing our services include our inability to:

- continuously develop and upgrade our technology;
- maintain and develop strategic relationships with business partners;
- offer compelling online services and content;

We cannot assure you that we will successfully address the risks or difficulties described above. Failure to do so could lead to an inability to attract and retain corporate customers for our network/data services and subscribers for our Internet access services as well as the loss of advertising revenues.

Despite our best efforts to optimize costs, our future operating results could fluctuate in part because our expenses are relatively fixed in the short term while future revenues are uncertain, and any adverse fluctuations could negatively impact the price of our ADSs.

Our revenues, expenses and operating results have varied in the past and may fluctuate significantly in the future due to a number of factors, many of which are outside our control. A significant portion of our investment and cost base is relatively fixed in the short term. Our revenues in the foreseeable future will depend on many factors, including the following:

- the range of network services provided by us and the usage thereof by our customers;
- the quantum and nature of any agreements we enter into with strategic partners for our services;
- the services, products or pricing policies introduced by our competitors;
- capital expenditure and other costs relating to our operations;

- the timing and quality of our marketing efforts;

our ability to successfully integrate operations and technologies from any acquisitions, joint ventures or other business combinations or investments;

- the introduction of alternative technologies;

technical difficulties or system failures affecting the telecommunication infrastructure in India, the Internet generally or the operation of our websites; and

- the range of Data centre services provided by us and its subscription thereof by our customers.

We plan to continue to expand and invest in network infrastructure. Many of our expenses are relatively fixed in the short-term. We cannot assure you that our revenues will increase in proportion to the increase in our expenses. We may be unable to adjust spending quickly enough to offset any unexpected revenues shortfall. This could lead to a shortfall in revenues in relation to our expenses and adversely affect our revenue and operating results.

You should not rely on yearly comparisons of our results of operations as indicators of future performance and operating results may be below the expectations of public market analysts and investors. In this event, the price of our ADSs may decline.

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Cyber Security threats could damage our reputation or result in liability to us.

Our businesses depend on the reliability and security of our information technology systems and infrastructure. They must remain secure, and be perceived by our corporate and consumer customers to be secure as we retain confidential customer information in our database. Despite the implementation of security measures, our infrastructure may be vulnerable to physical break-ins, computer hacking, computer viruses, or cyber-attacks beyond our control. If our security measures are circumvented, it would jeopardize the security of confidential information stored on our systems, proprietary information could be misappropriated or cause interruptions to our operations. We may be required to make significant additional investments and efforts to protect against or remedy security breaches. Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems, systems failure or otherwise, could damage our reputation and adversely affect our business and results of operations

The security services that we offer in connection with our business customers' networks cannot assure complete protection from computer viruses, break-ins and other disruptive problems and the occurrence of these problems could result in claims against us or liability on our part. These claims, regardless of their ultimate outcome, could result in costly litigation and could damage our reputation and hinder our ability to attract and retain customers for our service offerings.

We face a competitive labour market for skilled personnel and therefore are highly dependent on our existing key personnel and on our ability to hire additional skilled employees.

Our success depends upon the continued service of our key personnel including our senior management team, including our CEO and Chairman, Mr. Raju Vegesna. Each of our employees may voluntarily terminate his or her employment with us. Our success also depends on our ability to attract and retain such highly qualified technical, marketing and sales personnel. The labour market for skilled employees in India is extremely competitive, and the process of hiring employees with the necessary skills is time consuming and requires significant resources. We may not be able to retain or integrate existing personnel or identify and hire additional personnel in the future. The loss of the services of key personnel or the inability to attract additional qualified personnel could disrupt the implementation of our business strategy, upon which the success of our business depends.

The failure to keep our technical knowledge confidential could erode our competitive advantage.

Our technical know-how is not protected by intellectual property rights such as patents, and is principally protected by maintaining its confidentiality. We rely on trade secrets, confidentiality agreements and other contractual arrangements. As a result, we cannot be certain that our know-how will remain confidential in the long run.

Employment contracts with certain of our employees who have special technical knowledge about our products or our business contain a general obligation to keep all such knowledge confidential. In addition to the confidentiality provisions, these employment agreements typically contain non-competition clauses.

If either the confidentiality provisions or the non-competition clauses are unenforceable, we may not be able to maintain the confidentiality of our know-how. In the event that confidential technical information or know-how about our products or business becomes available to third parties or to the public, our competitive advantage over other companies in the wireless based IP/VPN industry could be harmed which could have an adverse material effect on our current business, future prospects, financial condition and results of operations.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Dodd–Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), Sarbanes-Oxley Act of 2002 (“SOX”), new SEC regulations and NASDAQ Stock Market rules are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

Further, from the year 2011, there has been an increased focus on corporate governance by the U.S. Congress and by the SEC in response to the credit and financial crisis in the United States. As a result of this increased focus, additional corporate governance standards have been promulgated with respect to companies whose securities are listed in the United States, including by way of the enactment of the Dodd-Frank, and more governance standards are expected to be imposed in the near future on companies whose securities are listed in the United States.

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Indian regulatory authorities are increasingly focused on standards of accounting, auditing, public disclosure and corporate governance and may impose new regulations that can lead to increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

In addition, it may become more expensive and/or more difficult for us to obtain director and officer liability insurance due to increase in premium rates. Further, our Board members, Chief Executive Officer, and our Chief Financial Officer could face an increased risk of personal liability in connection with their performance of duties and our SEC reporting obligations. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations, our business and reputation may be harmed.

The Indian Companies Act, 2013, which replaced the Companies Act, 1956, effective April 1, 2014, has imposed numerous and onerous compliance requirements on the Corporates in India. The new Act introduced significant provisions relating to governance, e-management, compliance and enforcement, enhanced disclosure norms, accountability of management, stricter enforcement, investor protection, class action suits, corporate social responsibility, compulsory appointment of Independent and Woman Directors, rotation of Auditors etc among others. Compliance with the provisions of the new Act may pose a greater challenge to the Corporates in India both in terms of responsibility and cost.

We may inadvertently fail to comply with local laws of other countries in connection with the negotiation and execution of operational agreements.

As part of our international business, we may negotiate with and enter into contracts with strategic partners, clients, suppliers, employees and other third parties in various countries. We may inadvertently fail to comply with their laws which may result in lawsuits or penalties, which could adversely affect our business or results of operations.

Our inter-city network is leased from other service providers and is dependent on their quality and availability.

We have provided inter-city connectivity for our Enterprise customers through lease arrangements rather than through capital investment in assets. Our ability to offer high quality telecommunications services depends, to a large extent, on the quality of the networks maintained by other operators, and their continued availability, neither of which is under our control. However, the abundance of inter-city connectivity provides us with the ability of switching to telcos offering better services. Although we always use more than one service provider where required, there can be no assurance that this dependence on external parties would not affect our network availability. Any prolonged loss of network availability could adversely affect our business and results of operations.

The legal system in India does not protect intellectual property rights to the same extent as the legal system of the United States, and we may be unsuccessful in protecting our intellectual property rights.

Our intellectual property rights are important to our business. We rely on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property.

Our efforts to protect our intellectual property may not be adequate. We hold no patents, and our competitors may independently develop similar technology or duplicate our services. Unauthorized parties may infringe upon or misappropriate our services or proprietary information. In addition, the laws of India do not protect proprietary rights to the same extent as laws in the United States, and the global nature of the Internet makes it difficult to control the ultimate destination of our services. For example, the legal processes to protect service marks in India are not as effective as those in place in the United States. The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly.

We could be subject to intellectual property infringement claims as the number of our competitors grows and the content and functionality of our websites or other service offerings overlap with competitive offerings. Our defences against these claims, even if not meritorious, could be expensive and divert management's attention from operating our Company. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial award as damage and forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. We may be unable to develop non-infringing technology or even obtain a license on commercially reasonable terms.

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Our current infrastructure may not accommodate increased use while maintaining acceptable overall performance.

Currently, only a relatively limited number of customers use our corporate network. We must continue to add to our network infrastructure to accommodate additional users, increasing transaction volumes and changing customer requirements. We may not be able to project accurately the rate or timing of increases, if any, in the use of our websites or upgrade our systems and infrastructure to accommodate such increases. Our systems may not accommodate increased use while maintaining acceptable overall performance. Service lapses could cause our users to use the online services of our competitors, and numerous customer defections may adversely affect our results of operations.

Our increasing work with Governmental agencies may expose us to additional risks.

We are increasingly bidding for work with Governments and Governmental agencies for Data Centres and other projects. Projects involving Governments or Governmental agencies carry various risks inherent in the Government contracting process, including the following:

Such projects may be subject to a higher risk of reduction in scope or termination than other contracts due to political and economic factors such as changes in Government, pending elections or the reduction in, or absence of, adequate funding;

Terms and conditions of Government contracts tend to be more onerous than other contracts and may include, among other things, extensive rights of audit, more punitive service level penalties and other restrictive covenants. Also, the terms of such contracts are often subject to change due to political and economic factors;

All Government bids are subject to Bank Guarantee depending upon the size of the tender. Any shortfall in service, inability to deliver committed SLA during the project may force the Government to invoke the bank guarantee leading to huge cash losses;

Government contracts are often subject to more extensive scrutiny and publicity than other contracts. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect our business or reputation;

Participation in Government contracts could subject us to stricter regulatory requirements, which may increase our cost of compliance; and

Such projects may involve multiple parties in the delivery of services and require greater project management efforts on our part. Any failure in this regard may adversely impact our performance.

In addition, we operate in jurisdictions in which local business practices may be inconsistent with international regulatory requirements, including anti-corruption and anti-bribery regulations prescribed under the U.S. Foreign Corrupt Practices Act (“FCPA”), which, among other things, prohibits giving or offering to give anything of value with the intent to influence the awarding of Government contracts. Although we believe that we have adequate policies and enforcement mechanisms to ensure legal and regulatory compliance with the FCPA, and other similar regulations, it is possible that some of our employees, subcontractors, agents or partners may violate any such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties. If we fail to comply with legal and regulatory requirements, our business and reputation may be harmed.

Our Dividend payment policy is contingent upon the Company’s profits each year.

We have not paid cash dividends to date due to the losses in the previous years and availability of divisible profits under the Indian law. In view of the positive performance of the Company during the year 2013-14, the Board of Directors has recommended a 10% cash dividend to all the shareholders of the Company for the year ended March 31, 2014, which is subject to the approval of the shareholders at the ensuing Annual General Meeting to be held on July 28, 2014.

Dividend payment is a function of profits and the distribution of profit is based on home country laws and the financial statements prepared under the Indian GAAP. The Board of Directors after assessing various factors including the future cash flow requirements of the Company has recommended a dividend payout to the shareholders for approval at the Annual General Meeting.

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The dividend payment policy of the Company is not certain and is contingent upon the level of performance of the Company and the recommendation of the Board and the approval of the shareholders.

Risks Related to the ADSs and Our Trading Market

The interests of our significant shareholder, Mr Raju Vegesna, our CEO, Chairman and Managing Director may differ from your interests.

Effective as of October 30, 2010, upon the consummation of the private placement to an entity controlled by Mr Raju Vegesna, our CEO, Managing Director and Chairman of the Board of Directors of the company, Mr Raju Vegesna beneficially owns approximately 86.27% of our outstanding equity shares. Mr P.S.Raju serves on our Board of Directors as a nominee of Infinity Capital Ventures, LP, an entity controlled by Mr Raju Vegesna. As a result, Mr Raju Vegesna will be able to exercise control over many matters requiring approval by our Board of Directors and / or shareholders, including the election of directors and approval of significant corporate transactions, such as a sale of our company. Under Indian law, a simple majority is sufficient to control all shareholder action except for those items, which require approval by a special resolution. If a special resolution is required, the number of votes cast in favour of the resolution must not be less than three times the number of votes cast against it. Examples of actions that require a special resolution include:

- altering our Articles of Association;
- issuing additional shares of capital stock, except for pro rata issuances to existing shareholders;
- commencing any new line of business; and
- commencing a liquidation.

Circumstances may arise in which the interests of Mr Raju Vegesna could conflict with the interests of our other shareholders or holders of our ADSs. Mr. Vegesna, or the entities that he controls, could delay or prevent a change of control of our Company even if a transaction of that sort would be beneficial to our other shareholders, including the holders of our ADSs. This concentrated control will limit your ability to influence corporate matters and, as a result, we may take actions that our ADS holders do not view as beneficial. As a result, the market price of our ADS could be adversely affected.

An investor in our ADSs may not be able to exercise preemptive rights for additional shares and may thereby suffer dilution of such investor's equity interest in us.

Under the Companies Act, 2013, or the Indian Companies Act, a Company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such preemptive rights have been waived by three-fourths of the shares voting on the resolution to waive such rights.

Holders of ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended, or the Securities Act, is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. To the extent that holders of ADSs are unable to exercise preemptive rights granted in respect of the equity shares represented by their ADSs, their proportional interests in us would be reduced.

ADS holders may be restricted in their ability to exercise voting rights.

At our request, Citibank N.A, (the “*Depository*”) will mail to holders of our ADSs any notice of shareholders’ meeting received from us together with information explaining how to instruct the Depository to exercise the voting rights of the securities represented by ADSs. If the Depository receives voting instructions from a holder of our ADSs in time, relating to matters that have been forwarded to such holder, it will endeavor to vote the securities represented by such holder’s ADSs in accordance with such voting instructions. However, the ability of the Depository to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that the holders of our ADSs will receive voting materials in time to enable such holders to return voting instructions to the Depository. Securities for which no voting instructions have been received will not be eligible to vote.

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Under Indian law, subject to the presence in person at a shareholder meeting of persons holding equity shares representing a quorum, all resolutions proposed to be approved at that meeting are voted on by a show of hands unless shareholders present in person and holding (a) not less than one-tenth of the total voting power entitled to vote on a resolution or (b) shares with an aggregate paid up capital of at least 5,00,000 demand that a poll be taken. Equity shares not represented in person at the meeting, including equity shares underlying ADSs for which a holder has provided voting instructions to the Depository, are not counted in a vote by show of hands. As a result, only in the event that a shareholder present at the meeting demands that a poll be taken will the votes of ADS holders be counted. Securities for which no voting instructions have been received will not be voted on a poll. Accordingly, you may not be able to participate in all offerings, transactions or votes that are made available to holders of our equity shares.

As a foreign private issuer, we are not subject to the SEC's proxy rules, which regulate the form and content of solicitations by United States-based issuers of proxies from their shareholders. To date, our practice has been to provide advance notice to our ADS holders of all shareholder meetings and to solicit their vote on such matters through the Depository, and we expect to continue this practice. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the SEC's proxy rules.

The market price of our ADSs has been and may continue to be highly volatile. Many factors could cause the market price of our ADSs to rise and fall. Some of these factors include:

- perception of the level of political and economic stability in India;
- actual or anticipated variations in our quarterly operating results;
- announcement of technological innovations;
- conditions or trends in the network/data services, Internet and electronic commerce industries;

the competitive and pricing environment for network services in India and the related cost and availability of bandwidth;

- the perceived attractiveness of investment in Indian companies;
- acquisitions and alliances by us or others in the industry;
- changes in estimates of our performance or recommendations by financial analysts;

- market conditions in the industry and the economy as a whole;
- introduction of new services by us or our competitors;
- changes in the market valuations of other Internet service companies;

announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

- our failure to integrate successfully our operations with those of any acquired companies;
 - additions or departures of key personnel; and
- other events or factors, many of which are beyond our control.

The financial markets in the United States and other countries have experienced significant price and volume fluctuations, and the market prices of technology companies, particularly Internet-related companies, have been and continue to be extremely volatile with negative sentiment prevailing. Volatility in the price of our ADSs may be caused by factors outside of our control and may be unrelated or disproportionate to our operating results, which may adversely affect the value of your investment and the price of our ADS's.

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An active or liquid market for the ADSs is not assured.

We cannot predict that an active, liquid public trading market for our ADSs will continue to exist. Although ADS holders are entitled to withdraw the equity shares underlying the ADSs from the Depository at any time, there is no public market for our equity shares in India or the United States. The loss of liquidity could increase the price volatility of our ADSs.

The future sales of securities by us or existing shareholders may reduce the price of our ADSs.

Any significant sales of our equity shares or ADSs or a perception that such sales may occur might reduce the price of our ADSs and make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. We may issue additional equity shares to raise capital and to fund acquisitions and investments, and the parties to any such future transactions could also decide to sell them.

Capital and credit market conditions may adversely affect our access to capital, the cost of capital, and ability to execute our business plan.

Access to capital markets is critical to our ability to operate. We may require additional financing in the future for the development of our business. Declines and uncertainties in the global capital markets over the years have severely restricted raising new capital and have affected companies' ability to continue to expand or fund new projects. If these economic conditions continue or become worse, our future cost of equity or debt capital and access to the capital markets could be adversely affected. Our ability to obtain future financing will depend on, among other things, our financial condition and results of operations as well as the condition of the capital markets or other credit markets at the time we seek financing. In addition, an inability to access the capital markets on favorable terms due to our low stock price, or upon our delisting from the NASDAQ Global Select Market if we fail to satisfy a listing requirement, could affect our ability to execute our business plan as scheduled.

We can give no assurance as to the availability of such additional capital or, if available, whether it would be on terms acceptable to us. In addition, we may continue to seek capital through the public or private sale of securities, if market conditions are favorable for doing so. If we are successful in raising additional funds through the issuance of equity securities, stockholders will likely experience substantial dilution. If we are unable to enter into the necessary financing arrangements or sufficient funds are not available on acceptable terms when required, either due to market fluctuations or regulations imposed by the Indian Governmental authorities, we may not have sufficient liquidity and our business may be adversely affected.

We may be required to list our Equity Shares on an Indian stock exchange. If we were to list our Equity Shares on an Indian stock exchange, conditions in the Indian securities market may require compliance with new and changing regulations framed by Securities Exchange Board of India, listing requirements of stock exchange, corporate governance, accounting and public disclosure requirements which might add uncertainty to our compliance policies and increases our costs of compliance.

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

This is in addition to the other requirements such as a Company must have a track record of distributable profits in terms of Section 123 of the Companies Act, 2013 for at least three out of the immediately preceding five years; provided that extraordinary items shall not be considered for calculating distributable profits, for being eligible to conduct an IPO.

As the Company is not in a position to satisfy the amended condition, it may not be required to comply with the notification of the Ministry of Finance in completing the IPO in the near future.

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

We may be required by the Government of India to list on Indian stock exchange. We may not be able to comply with any timeline for listing and other standards imposed on us, and we are uncertain as to the consequences to us of any non-compliance. If we were to list our equity shares on an Indian stock exchange, we have to comply with changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the SEBI rules and regulations and stock exchange listing requirements which may create uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

Risks Related to Investments in Indian Companies

We are incorporated in India, and a significant majority of our assets and employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by changes in exchange rates, interest rates, Government of India policies, including taxation policies, as well as political, social and economic developments affecting India.

Changes in the policies of the Government of India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our business and prospects.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. The rate of economic liberalization could change, and specific laws and policies affecting technology and telecom companies, foreign investment, exchange rate regime and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Recently, Pakistan has been experiencing significant instability and this has heightened the risks of conflict in South Asia. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and the market for our services.

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the attacks of July 25, 2008 in Bangalore, the attacks of November 26 to 29, 2008 in Mumbai, the attack at New Delhi High Court on September 7, 2011 and other acts of violence have the potential to affect us or our clients. In addition, such attacks may destabilize the economic and political situation in India. Furthermore, such attacks could cause a disruption in the delivery of our services to our clients, and could have a negative impact on our business, personnel, assets and results of operations, and could cause our clients or potential clients to choose other vendors for the services we provide. Terrorist threats, attacks or war could make travel more difficult, may disrupt our ability to provide services to our clients and could delay, postpone or cancel our clients' decisions to use our services.

The markets in which we operate are subject to the risk of earthquakes, floods and other natural disasters.

Some of the regions that we operate in, are prone to earthquakes, flooding and other natural disasters. In the event that any of our business centers are affected by any such disasters, we may sustain damage to our operations and properties, suffer significant financial losses and be unable to complete our client engagements in a timely manner, if at all. Further, in the event of a natural disaster, we may also incur costs in redeploying personnel and property. In addition, if there is a major earthquake, flood or other natural disaster in any of the locations in which a significant number of our customers are located, we face the risk that our customers may incur losses, or sustained business interruption and/or loss which may materially impair their ability to continue their purchase of products or services from us. A major earthquake, flood or other natural disaster in the markets in which we operate could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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We are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors which, together with the lack of a public market for our equity shares, may adversely impact the value of our ADSs.

Currently, there is no public trading market for our equity shares in India or elsewhere nor can we assure you that we will take steps to develop one. Our equity securities are only traded on NASDAQ through the ADSs. Under prior Indian laws and regulations, our Depository could not accept deposits of outstanding equity shares and issue ADRs evidencing ADSs representing such equity shares without prior approval of the Government of India. The Reserve Bank of India has announced fungibility regulations permitting, under limited circumstances, the conversion of ADSs to equity shares and the reconversion of equity shares to ADSs provided that the actual number of ADSs outstanding after such reconversion is not greater than the original number of ADSs outstanding. If you elect to surrender your ADSs and receive equity shares, you will not be able to trade those equity shares on any securities market and, under present law, likely will not be permitted to reconvert those equity shares to ADSs.

If in the future a market for our equity shares is established in India or another market outside of the United States, those shares may trade at a discount or premium to the ADSs. Under current Indian regulations and practice, the approval of the Reserve Bank of India is not required for the sale of equity shares underlying ADSs by a non-resident Indian to a resident India as well as for renunciation of rights to a resident of India, unless the sale of equity shares underlying the ADSs is through a recognized stock exchange or in connection with the offer made under the regulations regarding takeovers. Since exchange controls still exist in India, the Reserve Bank of India will approve the price at which the equity shares are transferred based on a specified formula, and a higher price per share may not be permitted. Holders who seek to convert the rupee proceeds from a sale of equity shares in India into foreign currency and repatriate that foreign currency from India will have to obtain Reserve Bank of India approval for each transaction. We cannot assure you that any required approval from the Reserve Bank of India or any other government agency can be obtained.

The Government of India may change its regulation of our business or the terms of our license to provide Internet access services, Voice over Internet Protocol (VoIP) and VPN services without our consent, and any such change could decrease our revenues and/or increase our costs, which would adversely affect our operating results.

Our business is highly regulated as per extant telecom policy of the Government of India (the "GOI"). Our ISP license issued in the year 1998 was valid for a term of 15 years. We have been issued new licenses under the Unified License dated June 26, 2014 with a validity of 20 years. If we are unable to renew the licenses for any reason, we will not be able to carry on the said business beyond license term, which may adversely affect our business or results of operations

The GOI has right to revoke, terminate or suspend or take over entire operations for reasons such as national security or similar reasons without compensation to us. In view of increasing cyber threats and attacks, the GOI may require telecom licensees (including ISPs) at their costs to provide monitoring facility across its network, and facilities for

capture and retention of data in terms of traffic flow, usage details, etc. This would result in significant increase in costs and possible lesser usage due to perceived invasion of privacy by customers.

Certain government departments have been making queries whether use of Session Initiation Protocol, or SIP, terminal to make calls to phones abroad is permissible within ISP license. We believe that such overseas phone calls are permitted, since, SIP terminal is a “computer” as defined in Information Technology Act, 2000. We may have to make a significant investment as capital outlay in SIP terminals to make it a PC-equivalent, if the government authorities issue regulations governing SIP usage contrary to our beliefs, which would have a material effect on our results of operations.

Our profits may be impacted due to the increase in license fee on the NLD/ILD license and inclusion of pure internet service under such license fee by the Department of Telecommunications, Government of India.

Effective July 2012, the Government of India amended the NLD/ILD/ISP license agreements with respect to Annual License Fee.

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Under such amendment, all services under the NLD/ILD license have been subjected to an increased license fee from the existing 6% to 7% from July 2012 to March 2013 and 8% from April 2013 onwards. In addition, the Government has also amended the ISP license and brought the same under such license fee of 7% from July 2012 till March 2013 and 8% from April 2013 onwards. Our present licence for Unified License ISP issued on June 2, 2014 provides for payment of Licence fee on pure internet services also. However, the Company approached its industry body i.e Internet Service Providers Association of India (ISPAI) to challenge the said clause before Telecom Disputes Settlement & Appellate Tribunal (TDSAT) and ISPAI challenged the same. Presently the matter is before the Tribunal and the Tribunal has stayed charging the Licence fee on pure internet services.

Such amendments to the license agreements will significantly impact the financials of the Company by way of additional expense due to increased license fees.

Increase in License fees paid for licensed spectrum to Department of Telecommunications ('DoT') may adversely affect our cost and in turn our cash flow and profitability

DoT may increase significantly the license fees to be paid for using the licensed spectrum. This will adversely affect our profitability. We cannot assure you that there would not be any increases of license fees in the future.

In the event that the Government of India or the Government of another country changes its tax policies in a manner that is adverse to us, our tax expense may materially increase, reducing our profitability.

The statutory corporate income tax rate in India was 30% during fiscal year 2014 and was subject to a 10% surcharge where the taxable total income exceeds ₹ 10 crore (5% where the taxable total income is less than ₹ 10 crores but greater than ₹ 1 crore), 2% education cess and 1% secondary and higher education cess, resulting in an effective tax rate of or 33.99% (or 32.45%). We cannot assure you that the surcharge will be in effect for a limited period of time or that additional surcharges will not be implemented by the Government of India. We may be subject to tax claims by the Government of India against us in the future. Defending these claims would be expensive, time consuming and may divert our management's attention and resources from our operations.

Risks Related to the Internet Market in India

Our success will depend in large part on the increased use of the Internet by consumers and businesses in India. However, our ability to exploit the Internet service and other data service markets in India is inhibited by a number of factors. If India's limited Internet usage does not grow substantially, our business may not succeed.

The success of our business depends on the acceptance of the Internet in India, which may be slowed or halted by high bandwidth costs and other technical obstacles in India.

Bandwidth, the measurement of the volume of data capable of being transported in a communications system in a given amount of time, remains expensive in India, especially when compared to many countries where bandwidth penetration is quite high. Although prices for international and domestic leased lines were substantially reduced recently, they are still high due to, among other things, capacity constraints and lack of competition. If the cost of bandwidth is not further reduced, or increases significantly, our business and results of operations will be adversely affected.

We may be compelled to surrender the spectrum that was allotted to us earlier.

The Government of India has asked us to surrender certain range of spectrum allotted to us and the same was auctioned as BWA spectrum. The Government also has asked the company to make payment for certain spectrum from the date of allotment or to surrender the same. The other range of spectrum that we have been allotted, 5.7 GHz, is also close to capacity utilization and will need to be augmented in the near future. Enterprise connectivity will need licensed bands of spectrum for assured quality and security, so the non-availability of spectrum would materially adversely affect our business and results of operations. In the event of the surrender of the spectrum certain frequencies, it may hamper our future plans for expansion of services, and there are no assurances that we will be able to obtain additional replacement spectrum.

We might not be able to grow Network Connectivity services due to a declining contribution.

In the Network Connectivity business, realization could be lower year on year based on the market conditions. Every year when annual contracts come up for renewal, customers sign up for more bandwidth or more links at a lower unit price. This is offset somewhat by lower bandwidth costs, which we renegotiate with our service providers. This impacts us in two ways: first, despite an increase in sales volume, we may not see a commensurate rise in revenues; and secondly, margins in our business are continually shrinking. Therefore, our revenue from our connectivity business may stagnate with declining bandwidth costs.

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We may not be able to retain and acquire customers for our data centres.

In the field of data centre services, competition from data centre operators may attract customers away from us or make it more difficult for us to attract new customers. If competitors are more successful than us in the market, it could be difficult for us to retain and/or acquire customers. Furthermore, once customers cease using our services and choose another service provider, it may require substantial efforts in terms of cost and time to re-acquire such customers, and despite spending on such customer acquisition or retention, we may be unsuccessful in retaining such customers.

In order to improve our competitiveness, we have constructed Data Centres at NOIDA near Delhi, India and are constructing a Data Centre at Rabale in Mumbai, India. If we are unable to attract adequate customers, we will not be able to achieve the revenues initially anticipated, which could have an adverse effect on our future results of operations and financial condition.

Our data centres may not be competitive enough in terms of green features.

We may fail to convert our existing Data centres and/or build new Data centres under the LEED (Leadership in Energy and Environmental Design) Commercial Interior (CI) programme of United States Green Building Council (USGBC). LEED certification is an internationally recognized programme and is considered one of the highest standards for energy efficient constructions. The data centre uses several green features such as site ecology, water conservation, smart energy meters and equipments, reduction of CO2 emissions, high recycle content, effective waste management and eco-friendly interiors. Increased demand for green data centre may hamper the marketing of our existing data centres that are not LEED certified.

Reduction in power supply and non availability of fuel may affect our Data Centres

There has been acute power shortage in recent years in India and hence, there could be a reduction in the availability of electricity. Where there is non availability of power supply in Data Centres, we resort to alternate sources of power (fuel) and the running of the Data Centres mainly depend on the availability of fuel. Non availability of power/fuel will disrupt our operations and it would be difficult for our customers to access data during such times.

We may lose relevance and revenues if we do not position our business models in line with current and future technology trends.

Technology trends, such as cloud computing and software-as-a-service, allow new business models that could replace current lines of business unless we are aware of them and position ourselves to take advantage of the transition. The markets for our services are characterized by rapidly changing technology, evolving industry standards, emerging competition and frequent introduction of new services. We may not successfully identify new opportunities, develop and bring new services to market in a timely manner. Unless we are able to adopt and deploy these advancements in technology and infrastructure, we may lose our competitive position in the marketplace, which would adversely affect our revenues and may lead to increased customer attrition, as our customers switch to other providers.

We may fail to augment our skills and capability to best manage our services over Internet Protocol and data networks.

We have been able to build a reputation and maintain our lead because of our expertise and capability with the delivery and management of services over Internet Protocol and data networks. With the build-up of the capability and experience of our competitors, we are at the risk of losing market share, if we do not augment our skills and capabilities to keep our qualitative lead over them. Infrastructure such as networks are considered by customers as a commodity, and the only differential that we offer is our ability to manage and monitor services in a superior manner.

It may not be possible for us to retain our brand equity if we do not resort to huge investments for brand development.

Our competitors offering similar services are all large telecom companies who make substantial investments in building their brand image across their services. Conversely, we are focused on IT infrastructure services over data telecom networks and we believe that we enjoy the reputation of a specialist in these services. However, if we do not build up awareness as well as our brand and reputation over time, the sheer weight of investments in brand development by the larger telecommunication providers will dilute our brand recognitions and competitive advantages.

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We may not meet the selection criteria set for high value contracts by the Governments.

As we participate in bidding for large Government of India contracts, as well as business from large corporations, we increasingly come under scrutiny for financial indicators. Unless we leverage our capacity and become consistently profitable, we could be excluded from major government projects because we fail to meet their selection criteria, which would adversely affect our business and results of operations.

The success of our business depends on our capability to develop compatible applications and tools.

As we offer our Applications Integration services to an increasing base of large corporations, we run the risk of not being able to meet their needs for scaling and sophistication in future if we do not build the capacity to develop and integrate applications software to meet with future needs. We may not have adequate resources to develop our capability as a result of emerging sophistication required for such services. The failure to develop such resources may adversely affect our business and results of operations.

We may fail to offer end-to-end managed services to sustain our position.

The telecommunications market is evolving towards service providers who offer end-to-end managed services that include managing everything down to desktops. If we are to continue to lead the market, we need to extend our bouquet of services to ensure that our portfolio helps graduate the market to managed services where we can maintain leadership. It may be difficult for us to offer end-to-end managed services to sustain our leadership in managed services without significant capital expenditures which would adversely affect our cash position and results of operations.

We may not get repeat corporate orders to optimize the capacity utilization.

As we expand the network to small cities and towns (Semi – urban and rural locations), there is an operational cost involved in both the establishment and operation of these nodes. While the expansion is facilitated by a corporate order, we have to subsequently get additional business for capacity utilization in these nodes to make them profitable. If we are not able to do this rapidly by scaling up the business through these towns, we run the risk of overcapacity on the network in new areas, which results in a higher cost structure and lower margins.

Absence of policy support will hamper Internet and Data Services.

We have, and continue to be subject to Indian regulations regarding the VPN license requirements, including the percentage of foreign holdings to offer VPN services as well the need for NLD/ILD licenses to offer VPN services and carrier voice services. The growth and development of the data and internet sector is dependent the policy support of Department of Telecommunications. Regulatory changes, as well as the continuing lack of policy initiatives to revitalize the data and Internet sector continue to be a risk.

We cannot influence policies that facilitate the growth and development of data and Internet connectivity in India. The absence of policy support for internet and data services may hamper the growth of such services in future, which would adversely affect our business and results of operations.

Constant improvement of technology standards/ skills and evolving tools and applications are essential to sustain our position in remote management of IT infrastructure.

We are relatively unknown outside India in comparison to other established IT players who have a large base of customers. If we are not able to constantly upgrade our technology standards and skills, and if we are unable to scale for critical mass in the near term, our competitive position would be adversely affected.

Management of IT infrastructure is dependent on sophisticated tools and applications to remotely monitor the IT infrastructure and assets of customers. If we are unable to retain our competitive advantages in terms of the evolving tools & applications, or the maturity of our processes, we may lose customers and be at a competitive disadvantage compared with our larger competitors

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The slower pace of recovery of the United States economy, affects sales of our Remote Infrastructure Managed Services and eLearning services.

The rate of recovery of the United States may result in reduced demand for our eLearning products, as our customers may reduce their training budgets and programming. Additionally, we may not be able to acquire new customers due to the economic situation prevailing in United States. A prolonged period of reduced customer demand for our eLearning services may adversely affect our business and results of operations.

Emergence of Enterprise Software Suites may hamper the growth of our e-Learning stream.

The emergence of competitors such as Oracle, IBM, SAP, SumTotal and SABA offering Enterprise Software Suites for eLearning for large organizations to develop their own learning platforms could be a threat to our business in future. We may lose our business to our competitors, and if we are unable to acquire new customers or retain our existing customers, our revenues and results of operations may suffer.

If we do not continue to develop and scale compelling content, products and services, our ability to attract new customers or maintain the engagement of our existing consumers could be adversely affected.

In order to increase advertising revenues, we need to continue to increase the number of users of our sports, recipes and entertainment video contents through our websites. In order to attract consumers and generate increased engagement on our website portals, we believe we must offer compelling content, products and services. If we are not able to attract and keep new users in a constantly evolving user base, we are likely to lose page views, and advertisers may reduce or cease publishing advertisements in our websites. It is important for us to provide necessary contents through our websites to attract more users. However, acquiring, developing and offering new content, products and services, as well as new functionality, features and enhanced performance of our existing content, products and services, may require significant costs and time to develop. In addition, consumer tastes are difficult to predict and subject to rapid change.

Risks Related to the Internet

Our business may not be compatible with delivery methods of Internet access services developed in the future.

We face the risk that fundamental changes may occur in the delivery of Internet access services in India. Currently, Internet services are accessed primarily by computers and are delivered by modems using telephone lines. As the Internet is becoming accessible by cellular telephones, personal data assistants, television set-top boxes and other consumer electronic devices, and becomes deliverable through other means involving digital subscriber lines, coaxial cable or wireless transmission mediums, we will have to develop new technology or modify our existing technology to accommodate these developments. Our pursuit of these technological advances, whether directly through internal development or by third-party license, may require substantial time and expense. We may be unable to adapt our Internet service business to alternate delivery means and new technologies may not be available to us at all. We provide wireless connectivity on the 5.7 GHz spectrum allotted to us by the Wireless Planning Commission. The spectrum allocation may be inconsistent with industry standards. The current capacity may be insufficient to offer a breadth of services. The Government may issue instructions to release the spectrum that we hold. High cost of spectrum acquisition may be inconsistent with our revenue and cost models. We may not keep up with the pace of change that takes place in wireless technologies.

We are subject to quality of service (QOS) guidelines issued by TRAI. Failure to comply with one or more applicable guidelines may expose us to fines/penalties.

TRAI has issued the following guidelines to the ISPs for improving the quality of service:

All Internet service providers shall provide adequate information to subscribers regarding Internet/broadband services being offered and marketed by them.

All Internet service providers shall provide information regarding contention ratios or the number of users competing for the same bandwidth, adopted by them to provide Internet/broadband service in their tariff plans submitted to TRAI, manual of practice, call centers and on their websites

All Internet service providers shall publish quarterly contention ratio for different Internet/broadband services on their website to facilitate subscribers to take informed decision.

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All Internet service providers must use the contention ratios better than specified ratios for different services to ensure sufficient bandwidth for providing good quality of service to their subscribers.

Fixing up a contention ratio, may put standalone ISPs, at a disadvantage as cost of delivery of Internet bandwidth may increase. Telecom companies offering similar internet services are tempted to offer significantly lower prices and incentives as they own the last mile. Also by bundling telephony along with Internet, they can enhance their otherwise idle last mile. Under such circumstances, it will be very difficult for ISPs providing retail service to compete with big Telcos which can offer broadband services by cross subsidizing with voice/other services.

Submission of Carbon foot print report from the financial year 2011-12 and also to submit a carbon foot print report twice a year from the financial year 2013-14 , for the six months ending September 30, before 15th of November and for the six months ending March 31, by 15th of May each year.

In the event of our failure to comply with one or more of the above guidelines, we may expose ourselves to fines/penalties.

We may be liable to third parties for information retrieved from the Internet.

We could become liable if confidential information is disclosed inappropriately on or through our websites. Others could also sue us for the content and services that are accessible from our websites through links to other websites or through content and materials that may be posted by our users in chat rooms or bulletin boards. The laws in India relating to the liability of companies which provide Internet services, like ours, for activities of their users, are still relatively unclear. Investigating and defending these claims is expensive, even if they do not result in liability. Allegations of impropriety, even if unfounded, could damage our reputation, disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses.

Item 4. Information on the Company

History and Development

We were incorporated on December 12, 1995 in Andhra Pradesh, India as Satyam Infoway Private Limited, a Company under the Indian Companies Act, 1956 to develop and offer connectivity-based corporate services in India. Until December 2002, we were a majority-owned subsidiary of Satyam Computer Services Limited, an Indian

information technology Services Company traded on the New York Stock Exchange and the principal Indian Stock Exchanges. We changed our name from Satyam Infoway Limited to Sify Limited in January 2003 and from Sify Limited to Sify Technologies Limited in October 2007. We completed our initial public offering of ADSs in the United States in October 1999. We listed our ADS on the NASDAQ Global Market on October 19, 1999. In February 2000, we completed our secondary offering of ADS in the United States.

Sify Technologies (Singapore) Pte. Ltd and Pace Info Com Park Private Limited are our wholly owned and controlled subsidiaries. During the financial year 2013-14, the subsidiaries, Sify Software Limited and Hermit Projects Private Limited were merged with and into Sify Technologies Limited. Also, the subsidiary, Sify Empower India Foundation was closed by filing the necessary application with the statutory authorities.

The address of our principal executive office is Tidel Park, 2nd Floor, 4, Rajiv Gandhi Salai, Taramani, Chennai 600 113 India, and our telephone number is 91-44-2254-0770. Our agent for Investors Relations in the United States is Grayling Global, phone +1-646-284-9400. Our website address is www.sifycorp.com and the information contained in our website does not constitute a part of this Annual Report.

From December 1995 through 1997, we focused on the development and testing of our private data network. In 1997, we began forming strategic partnerships with a number of leading technology and electronic commerce companies, including UUNet Technologies, in order to broaden our service offerings to our corporate customers. In March 1998, we obtained network certification for conformity with Indian and international network operating standards from the Technical Evaluation Committee of India. In April 1998, we began offering private network services to businesses in India. Our initial services included electronic data interchange, e-mail and other messaging services, virtual private networks and related customer support.

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

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On November 6, 1998, the Indian Government opened the Internet service provider (ISP) market to private participation. Capitalizing on our existing private data network, we launched our Internet service provider business, *SifyOnline* (formerly known as *SatyamOnline*), on November 22, 1998 and became the first private national Internet service provider in India. We began offering *SifyOnline* Internet access and related services to India's consumer market as a complement to the network services offered to our business customers. Our *SifyOnline* service was the first in India to offer ready-to-use CD-ROMs enabling online registration and immediate usage.

In March 2000, we launched our network of public Internet cafés called *iways* to cater to the needs of Indians who do not have access to the Internet. In September 2000, we commenced our hosting services from our India's first Tier-III Data Centre at Vashi, Mumbai to provide co-location and managed services to our clients. In June 2001, we obtained permission to provide wireless connectivity on the 5.7 GHz spectrum from the Wireless Planning Commission. This enabled us to convert all our *iways* from Integrated Services Digital Network, or ISDN, connectivity on the last mile to wireless connectivity. This technology also enabled us to commence our high-speed/broadband access to homes, which began in March 2003. To enable quicker access to homes, we developed a model of partnering with Cable Television Operators, or CTOs, who already interface with households for providing cable television facilities to millions of households in India.

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

From the time we launched our corporate services in 1997, we have continually upgraded our technology to provide data services to corporate clients. We were the first Internet service provider in India to make our entire network IP-based and subsequently Multi Protocol Label Switching (MPLS)-enabled, which permitted us to continue to grow our corporate customer base. As of March 31, 2014, we provide data connectivity services to over 4000 corporate clients in industries ranging from information technology, manufacturing, banking and financial services industry, pharmaceuticals, retail distribution and the Government.

Initial Public Offering and Subsequent Financing Transactions

In October 1999, we completed our initial public offering on the NASDAQ National Market and issued 4,801,250 ADSs at a price of \$18.00 per ADS. We received proceeds of approximately \$79.2 million, net of underwriting discounts, commissions and other offering costs. In connection with our initial public offering, we received the benefit of exemptions from the NASDAQ corporate governance rules relating to shareholder meeting quorum, solicitation of proxies and shareholder approval for issue of shares other than in a public offering under NASDAQ rules. We will continue to avail of the exemptions from the NASDAQ corporate governance rules.

In February 2000, we completed a secondary offering and issued 467,175 ADSs at a price of \$320.00 per ADS. We received proceeds of approximately \$141.2 million, net of underwriting discounts, commissions and other costs.

In October 2002, we agreed to sell an aggregate of 7,558,140 ADSs to SAIF for consideration of \$13.0 million and to sell an aggregate of 2,034,883 equity shares to VentureTech for consideration of \$3.5 million. This transaction was approved by our shareholders at our Extraordinary General Meeting held on December 9, 2002. In December 2002, we completed the sale of the ADSs to SAIF and the sale of 2,034,883 equity shares to VentureTech. In April 2003, we sold an additional 1,017,442 equity shares to VentureTech. In July 2003, we sold an additional 1,017,441 ADSs to an affiliate of Venture Tech.

On November 10, 2005, Infinity Capital Ventures, LP (“Infinity Capital”) acquired 11,182,600 ADS of our Company from Satyam Computer Services Limited (“Satyam”) for US \$5.60 per share in cash through a Sponsored ADR Programme arranged by the Company. The total purchase price for the Satyam shares was approximately US \$62.6 million.

In a separate transaction, also on November 10, 2005, Infinity Capital entered into a Subscription Agreement with us pursuant to which, upon the terms and subject to the conditions set forth therein, Infinity Capital agreed to purchase from us approximately 6.7 million newly-issued equity shares or ADSs at a purchase price of US \$5.60 per share in cash. The total purchase price for the newly issued shares was approximately US \$37.5 million. This transaction was approved by our shareholders at our Extraordinary General Meeting held on December 23, 2005. In January 2006, we completed the transaction. Also on November 10, 2005, Sify, Infinity Capital and Mr. Raju Vegesna entered into a Standstill Agreement pursuant to which, upon the terms and subject to the conditions set forth therein, Infinity Capital agreed not to purchase more than 45% of our fully diluted equity. The Board of Directors waived the above clause in the standstill agreement passed through a Board resolution dated January 22, 2008.

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Following the transactions, Mr. Raju Vegesna of Infinity Capital was appointed as the Chairman of our Board of Directors. Mr. P. S. Raju is the second nominee of Infinity Capital to our Board of Directors.

On March 24, 2008, the Company entered into a Subscription Agreement with Infinity Satcom Universal Private Limited (Infinity Satcom Universal), a private limited Company in India which is controlled by Ananda Raju Vegesna and brother of Raju Vegesna, CEO, Chairman and Managing Director, for issuance of 12,817,000 Equity Shares of the Company with face value of 10/- per share at a premium of 165/-. It was approved by the Company's shareholders at the Extraordinary General Meeting held on March 17, 2008.

On March 24, 2008, we received a sum of 112.14 million (comprising of 12.81 million towards face value and 99.33 million towards securities premium). Subsequently, Infinity Satcom Universal communicated to the Company that they would focus their attention on the business of Sify Communication Limited (erstwhile subsidiary) and hence shall not contribute the balance money towards the subscription of 12,817,000 Equity Shares on call. On August 29, 2008, the Board of Directors, forfeited the shares allotted and the application monies collected (112.14 million including sums towards capital and premium).

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement to Raju Vegesna Infotech & Industries Private Limited, our promoter group, and an entity affiliated with our CEO, Managing Director and Chairman, Mr Raju Vegesna. See note 40 in the notes to the financial statements in this Annual Report.

Acquisition of Minority Interest in Subsidiary

In January 2008, our Board of Directors of Sify approved the merger of our subsidiary, Sify Communications Limited ("Sify Comm") with our Company. The Boards of each of Sify and Sify Comm determined that a merger would produce cost savings efficiencies and, as a combined entity, benefit all shareholders. The Board then submitted the proposed merger to the shareholders and to the High Court of Madras for approval. In August 2008, while approval for the merger was pending, the Indian Government proposed new regulations regarding the delivery of internet services and was expected to announce changes to the policy governing the spectrum for the delivery of wireless data. The Board reviewed these regulatory changes and determined that it would be in the best interest of each Company to remain as separate entities, as opposed to combining the entities as contemplated by the proposed merger. The Company submitted a petition to the High Court of Madras to withdraw the merger, and such petition was approved.

In October 2008, the Company again evaluated the feasibility of a merger between Sify and Sify Comm and the Board of Directors of the Company at their meeting held on November 24, 2008 approved the merger of Sify Comm with retrospective effect from April 1, 2008, subject to approval by the Shareholders, the Honourable High Court and other

statutory authorities. The Board considered the deterioration of the Indian and global economy, and its effect on the Company's performance during the first half of fiscal 2009 as well as the impact of a prolonged economic downturn on the Company during the third and fourth 2009 fiscal quarters. The Board evaluated these issues and determined that a combined entity would provide cost savings and increased cash flow, and strengthen the Company's ability to borrow additional funds, if necessary. Accordingly, the Board of Sify determined that the merger should again proceed and sought shareholder approval, and submitted the merger to the High Court of Madras for approval. The Honourable High Court approved the merger on 26th June, 2009. In connection with such merger the Company has issued 10.53 million equity shares to Infinity Satcom Universal Private Limited, a 26% stake holder in the erstwhile Sify Communications Limited prior to merger.

On July 15, 2009, Infinity Satcom Universal Private Limited has acquired 4,000,000 shares of the Company from Infinity Capital LP, USA in a private transaction.

Principal Capital Expenditures

In fiscal year 2014, 2013 and 2012, we spent 930 million (US \$15.47 million), 1,661 million, 952 million respectively, on capital expenditures. As of March 31, 2014, we had contractual commitments of approximately 1,326.44 million (US \$22.07 million) for capital expenditure towards the acquisition of property, plant and equipment. These commitments included approximately 1,256.83 million (US \$ 20.91 million) in domestic purchases and 69.61 million (US \$ 1.16 million) in imports and overseas commitments for products and spares. All our capital expenditures were financed out of cash generated from operations, equity infusion and borrowings from banks.

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Investment Strategy

In evaluating investment opportunities, we consider important factors, such as strategic fit, competitive advantage and financial benefit, through a formal net present value evaluation.

Sify Software Limited (formerly Sify Networks Private Limited)

In March 2004, we acquired E Alcatraz Consulting Private Limited, a Company engaged in the business of providing security services to corporate customers, for a consideration of 32.7 million.

During October 2009, Sify Technologies transferred eLearning, Software Development and other related businesses, which are non-telecom businesses, to the subsidiary Company for a consideration of 450 million, which was discharged by way of issue of 4.5 million ordinary shares in Sify Software Limited. Consequently, the name of E Alcatraz Consulting Private Limited was changed to Sify Software Limited in order to reflect the activities relating to Software Development business.

Due to continuous losses and the consequent erosion of the networth, Sify Software Limited was merged with Sify Technologies Limited effective April 1, 2013.

Globe Travels, USA.

In April 2006, we acquired Globe Travels, USA engaged in the business of selling online airline tickets in the U.S. with a special focus on the U.S.-India sector along with its Indian arm for a consideration of USD \$2.50 million, apart from 125,000 stock options and some conditional earn out payments. On account of continued decline in business, the company has ceased its travel business operations.

Due to the decline in business travels on account of global economic environment, the company tested impairment for goodwill and intangibles, and has recorded 1,857, 47,269 and 15,200 as impairment charge during the years 2010-11, 2009-10 and 2008-09 respectively.

India World Communication Limited

India World Communications Limited filed an application with the Registrar of Companies, Tamil Nadu in 2008 for the winding up of its business under section 560 of the Indian Companies Act, 1956. The Registrar had struck off its name from the register. Since then, India World Communications Limited ceased to exist from the date of order of the ROC.

Sify International Inc

Sify International Inc incorporated in the United States of America (US) was a wholly owned subsidiary of Sify. On July 18, 2012, the Company filed a Certificate of Dissolution with Secretary of the State, State of California, USA for winding up and dissolving the wholly owned subsidiary in US. The company has since received the dissolution certificate.

Hermit Projects Private Limited & Pace Info Com Park Private Limited

In November 2011, we acquired Hermit Projects Private Limited (HERMIT) for the implementation of a state-of-art Data Centre Project at Noida, U.P, along with its wholly owned subsidiary Pace Info Com Park Private Limited (PACE), the original allottee of the land at Noida, U.P. for a consideration of 114 crores. As HERMIT was acquired only as a Special Purpose Vehicle for acquiring PACE, HERMIT merged with Sify Technologies Limited, the holding Company effective April 1, 2013.

It is also proposed to merger PACE with Sify Technologies Limited, the holding Company effective April 1, 2014 subject to the approval of the shareholders and the Hon'ble High Court of Madras, India.

Sify Empower India Foundation

Sify Empower India Foundation (SEIF) was incorporated as a non-profit organisation in November 2010 to carry on the activity of promoting employability, education, financial inclusion and healthcare for urban and rural consumers through the innovative use of ICT in an integrated and sustainable manner.

Initially, the Company had a 10% holding in SEIF and acquired an additional 89.80% in October 2012.

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Due to changes in the Company's business model SEIF had not started its commercial activities and hence, SEIF was closed in 2014 by filing the necessary application with the statutory authorities.

Sify Technologies North America Corporation

Sify Technologies North America Corporation was incorporated in the State of Delaware, USA on May 7, 2014 as a wholly owned Subsidiary of Sify to pursue the overseas market for eLearning and International Managed Services in the US region.

Business Overview

We are among the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common telecom data network infrastructure reaching more than 1241 cities and towns in India. This telecom network also connects 36 Data Centres across India including Sify's 5 Tier III Data Centres across the cities of Chennai, Mumbai, Delhi and Bengaluru and customer data centres.

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

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

a) Telecom services

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

Forecasting the explosive growth that the telecom market will see, we were the first in the country to offer an IPv6 ready network; a fact underscored by the Telecom policy of 2012. This network reaches around 1241 towns and cities and gives a prospect of more than 2317 points of presence.

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

§ **India Data Business** – Addressing the Data Communication needs of Large and Emerging Enterprises in India across each of their distributed points of business. We do this by leveraging our network span across 1241 towns and cities.

§ **Global Network Business** – Addressing the connectivity needs of Enterprises and Carriers to connect in and out of India. Our partnerships with multiple international carriers provides for a seamless integration into and out of the India network.

§ **Wholesale Voice** – Addressing the ‘India termination’ and several other countries for Hubbing. Our cable landing station is our strategic investment to address this business need and currently facilitates three international cables servicing the Middle East and a majority of Europe. Investments into strategic global assets will continue to address the opportunity in-and-out India

b)

Data Centre services

We are among the earliest to invest in the Data Centre landscape in the country with our first Data Centre in Vashi, Mumbai in the year 2000. Even in the early days of the IT revolutions, we set very high benchmarks with each of our subsequent data being Tier III compliant. During 2013, we inaugurated our first Green Data Centre in Noida near Delhi. We currently have 5 Tier III Data Centres across various geographical locations in India. This business offers services such as co-location, regular backup, server load balancing, remote backup; Managed Services like Messaging, shared Hosting, network and security; Storage and Virtualization and Managed Voice services to all resident Enterprises.

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c) Cloud and Managed services

The Data explosion witnessed by the country opened up many opportunities and challenges. This has driven Indian Enterprises towards asset light solutions aiming at lower Total Cost of Ownership (TCO). Foremost among them were for Managed services, Data Security and cloud services. Cloud services was a product of the market demand from Enterprises who sought to de-focus themselves from operating cumbersome IT infrastructure and moving towards an Opex based computing practice. Today, this practice follows both a collaborative and standalone approach offering Cloud services from industry leaders like Hp and VMware, and also through home grown solutions.

This business provides On-Demand, anywhere, Flexible, Multi-tenant and Dedicated storage solutions , Public, Private and Hybrid cloud platforms and IaaS, Paas and DR as services. We are also the only company offering Cloud Delivery solutions on a home grown tool with an objective of reducing the TCO offering value to customers, on a completely automated platform called Cloudinfnit.

d) Technology Integration services

Strategic investment of time and focus over a decade to build India's premier ICT network has resulted in an admirable knowledge base of products and technologies. With Sify 3.0, we chose to package this into a knowledge offering to the market and thus, emergence of Technology Integration services. Technology Integration Services (TIS) combines Sify's IT capabilities with its core telecom and Data Centre products to provide a converged turn-key ICT solution to the customer.

TIS leverages Sify's homegrown expertise in design, implementation and maintenance to deliver end- to-end managed IT services across datacenter, network and security.

Major focus is as follows:

- Service Desks and Command Centers
- Voice and Video Conferencing
- Hosted Contact Centers
- Unified Communication and Unified Access
- Virtualization
- Data Centre Build
- Campus/LAN/Data Centre Networking
- WAN Architectures

- Enterprise and End Point Security

e) Applications Integration services

The third layer of the Sify business is the Applications Integration services. Aligning to the market opportunity and expectation from our customers on high end value chain services, Sify's in house team of application developers have designed and developed a full suite of applications to ride on top of our network infrastructure. Some of these have been trailblazers like the Supply Chain management application, Forum and the online assessment tool, iTest. We had invested early on, in the sunrise business eLearning recognizing the demand of Enterprises to take forward a uniform training platform to all branches and subsidiaries.

Today, this business caters to various verticals with offerings like Talent management, and automated platform that enables multi city, multiple point recruitments and test platform, Sales and Distribution platform, eLearning platform primarily for Enterprises outside of India for local and Internet based training, Web solutions like portals and a SAP integration practice.

Industry Overview

The last decade was significant in the IT industry landscape because of several reasons. First was the galloping rate at which IT infrastructure grew along with mobile penetration. Secondly, the emergence of convergence technology and smartphones becoming the *defacto*' norm. The third was the network penetration into the hinterland thereby mitigating the connectivity issues and paring the technology landscape. Importantly, the recognition of IT as an infrastructure industry, thus helping in access to power and much needed capital investments.

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In the process, India saw the sprouting of a new breed of business, one that viewed IT more as a productive tool that enhanced their business capability while simultaneously lowering their TCO. These businesses set in motion the dual benefits of affordable IT and serviceable IT, thus leading it to being delivered in scalable, flexible and location-agnostic formats.

Today, both Network and device Convergence has become a necessity in order to reduce the complexity of multiple technology or networks and also because of the increased use of server virtualization technology. Network Convergence along with virtualization of the server, network and storage infrastructure are driving the next generation Data Centre towards cloud based service model.

But the Cloud requires a viable eco-system to thrive. An eco-system that we have been steadily building for two decades for our clients. We have strategized these offerings in the form of Sify 3.0, Sify's third phase of growth. The focus shifted from Capex intensive infrastructure to offering our Solutions and Services as much as on pay per use model.. In order to achieve our Sify 3.0 objective and market orientation, we have restructured ourselves into five business lines of Telecom Services, Data Centre services, Cloud & Managed Services, Technology Integration services and Applications Integration Services.

Sify Business Model

Drawing from the Company's Vision statement, we endeavour to provide the entire eco-system of ICT services. In doing so, we have to accede to the demands of both the traditional Telecom and IT markets.

The first few years of growth of the IT and Telecom industries were driven primarily in garnering maximum market share and an enviable roster of blue chip clients. With changing dynamics and demands of the market, the two industries have to find a middle ground to retain and expand the market. It was the time of convergence and the perfect fertile ground for our services.

Until 2012, our primary strategy was to invest in infrastructure and being ready before the market cycle demanded our services. Once we attained critical mass, we shifted focus to packaging our products and practices as tangible offerings to the market.

In Sify 3.0, we have restructured our business segments into 5 distinct lines of business namely,

a) Telecom Services.

Having invested heavily in building among India's best last mile network services, it was time to scale the utilization through cross alignment with traditional telecom players who were looking to expand our markets to Tier II and Tier III cities and towns and also to IT players who wished to leverage the cost benefits of relocating to Tier II towns.

We do this by leveraging our state-of-the art last mile wireless connectivity and the dense spread of network. Enterprise customers who seek to utilise the network have the choice of being connected to the DC of their choice or any one of our Tier III Data Centres. Today, this multi-mode, multi-mesh network connects 36 of India's DCs; a fact that endorses the quality of our offering and our network presence

Our network, reaches 1241 cities and towns with approximately 2317 Points of Presence. The completion of the flagship project for India Posts will take this penetration to an estimated 70,000 links thus making us the largest MPLS network in India.

b) Data Centre services.

Right from our first Data Centre at Vashi, Mumbai in 2000, we have invested in the top of the line technologies across all our networks with every new data centre taking the game forward. The Sify SDA (Sify Data Centre Architecture) 4.0 is an IP that has found acceptance in the several Data Centres that we have built for our customers.

These DCs also offer a multitude of Value Added services over the traditional notion of basic collocation and Opex driven storage solutions. At over 2.0 Lakhs sq.ft coverage today including the new Data Centres, we are among the largest to offer Data Centre space in the market.

c) Cloud and Managed services

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

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

d) Technology Integration services

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

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

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

This business is also responsible for Sify bagging some of the biggest deals of the year, for ground-up technology refresh for some of India's biggest private and Government clients.

e) Application Integration services.

As with every industry major who chose to offer IT and Managed services, Applications were also demanded by several of our clients. While we chose not to be a core Software player, we do enable the integration of multiple technologies and platforms and the cross breeding of existing ones.

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

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

Strategy

Our vision statement is explicit on our strategy.

We are building a world in which our converged ICT eco-system and our bring-it-on attitude will be the competitive advantage to our customers.

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

- *Cover more of the country with our network, increase the bandwidth support and drive more customer usage.* Our network is based on Internet Protocol, or IP, and we are the first Indian service provider to have made our network Multi-Protocol Label Switching (MPLS) compliant. We are also the first IPv6 ready network having laid it down as early as 2000. In the fiscal year 2013-14, we implemented the proprietary CloudCover to connect Data Centres across India with a multi-mode, multi-mesh network. This builds redundancy at multiple levels across the network. This network connects 36 of India's Data Centres including 5 of our own. To ensure uninterrupted high quality service and to achieve cost efficiencies, we have invested in a under sea cable consortium. The capacity went live during the Q1 of 2012-13. We have also leased intercity links from multiple suppliers including BSNL, Bharti, TATA, Railtel and Power Grid Corporation, such that each one of our nodes is accessible from at least two other nodes, if not by two long distance operators. We believe that as the size and capacity of our network infrastructure grows, its structure and national coverage will create economies of scale. Being vendor neutral, we are able to procure bandwidth in a cost effective manner. In January 2014, we launched India's truly Green Data Centre at Noida with an industry defining benchmark efficiency.

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- *Increase penetration in our existing markets by expanding awareness of the “Sify” brand name to capitalize on our first mover advantage in India.* Over time, Sify as a brand has expanded its offerings from the retail broadband segment to the Enterprise buyer in India. But as with every brand’s birth, our first offerings gave us the identity as India’s most aggressive internet player. We built on those strengths and with time, have built a complete ecosystem of Enterprise offerings.
- *Create pull with newer more efficient technology and hence draw more customers into the Sify fold.* In order to transition to being an Enterprise player, we began by expanding our bouquet of services in line with market demand. A nascent retail broadband gave rise to data storage and hence our first Data Centre was born; at Vashi Mumbai in 2000. As a brand, we have consciously aligned with the best-of-breed technology and benchmarks. Hence, right from our first Data Centre, all our subsequent ones were also Tier III compliant. Our managed services bouquet has been a mix of home grown applications and offerings through tie ups with industry leaders like Hp, VMware, Akamai, SAP etc.
- *Expand the bouquet of services and cater to an audience that does not mind paying a premium and hence realise better margins.* As competition heats up in the IT and Telecom sector, there will be a squeeze on our margins for the traditional offerings. Hence it is imperative to create a segment of premium paying customers who see value in the differential on their services. We will also continuously expand our service offerings and expand into a broader geographical domain. We actively spread to Tier II and III cities much before we had customers there. This helped us to demonstrate a robust working model of our services in geographically challenged places as and when the demand arose.
- *Expand our customer distribution channels through strategic alliances to take advantage of the sales and marketing capabilities of our strategic partners.* Each of our business delivers a certain level of legitimacy when aligned with the industry leaders. Most MNCs see this as a comfort factor and a reassurance of global standards that they have enjoyed. So, whether it is Telecom business aligning with international carriers, our DC business being Tier III certified and assured by the best of the global standards, our Managed services having tied up with leaders like HP, VMware, SAP, Hitachi etc or Applications Integration services or our content delivery assurance with Akamai under our Technology Integration services ambit, the assurance is the same; global standards, local deliverance. On the delivery front, this doubles our marketing strength while allowing for a cross selling of products and services to both the partner’s audiences.
- *Pursue selective strategic investments, alliances and acquisitions to expand our customer base, increase utilization of our network and add new technologies to our service mix.* India's financial nerve centre, Mumbai has long been a focus of our expansion plans given the concentration of Enterprise players. That, along with a stable administration and power supply, well developed suburbs, and a native market was responsible for us launching our 6th Tier III DC at Rabale, near Navi Mumbai. All along, we have invested ahead of the demand curve across all our services. That said, the focus has also been to add value by partnering with the best of breed technology companies. Towards that, our hosting services are now SAP certified giving us the much needed fillip to pitch it to discerning Enterprise customers. Content delivery for Enterprise customers was underlined with our partnership with the world

leaders, Akamai. We will continue to pursue opportunities to grow both organically and inorganically, in our endeavor to spread into newer geographies.

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

Service Offerings

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

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

Our connectivity clients can pick from a range of services; namely the following.

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

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

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

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

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

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

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

Data Centre Services. We operate 5 Tier III Data Centres of which two are located in Mumbai (Bombay), one each at Noida (Delhi), Chennai (Madras) and Bengaluru, which are designed to act as reliable, secure and scalable facilities to host mission-critical applications. We offer co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent ‘secure cages’ at the hosting facility as per their application requirements. We also offer a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration.

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

Our Remote and Onsite Infrastructure Management services provides continuous proactive management and support of customer operating systems, applications and database layers through deploying specialized monitoring tools and infrastructure experts to ensure that our customers’ infrastructure is performing optimally.

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Our innovative SLA driven utility-based On-Demand storage service manages the complete lifecycle of enterprise information, from its inception to its final disposal. The fully managed, utility based, On-Demand, scalable storage platform is powered by global major in Data Systems. Sify's On-Demand storage service reduces the complexities of deploying and managing multiple storage tiers, and lowers operational costs by automating management with flexible need based pricing.

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

Applications Integration services: Our range of web-applications include sales force automation, supply chain management, intranet and extranets, workflow engine and knowledge management systems.

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

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

The finance channel of Sify <http://sify.com/finance/> covers the entire spectrum of equity markets, business news, insurance, mutual funds, loans, SME news and a host of paid and free financial services.

The sports channel <http://sify.com/sports/> covers the entire gamut of Indian and international sports with special focus on cricket.

We also host WWE updates as a standalone service <http://wwe.sify.com/> for users.

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

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

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

Games channel of Sify <http://games.sify.com> offers multiple scoring and non scoring games. Games include cricketing games, racing games, football specific games.

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

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Corporate Customers

Our base of corporate customers spread across information technology enabled services (ITES), banking financial services and Insurance (BFSI), publishing, retail, pharmaceuticals and manufacturing. The reorganisation of our business has helped us expand our customer base to over 4,000 customers to date. This is not inclusive of customers who have brought piece-meal services from us. A good number of these customers have matured from our initial set of offerings like Network and Data centre services. With the launch of our cable landing station, we are able to cater to international carriers as well as domestic voice and data players. Our alliance with world leaders across our other services is giving us the opportunity to extend our services to customers of our alliance partners.

The Company does not currently anticipate that it will serve markets in, or have any contacts with, Sudan, Iran or Syria, or any other countries which are designated as state sponsors of terrorism by the U.S. Department of State. As of the date of this Annual Report, the Company has not provided into Iran, Sudan, or Syria, or any other countries which are designated as state sponsors of terrorism by the U.S. Department of State directly or indirectly, any products, equipment, software, technology, information or support, and has no agreements, arrangements, or other contacts with the governments of those countries or entities they control.

Customer Service and Technical Support

The implementation of the single UAN for all Enterprise customers across India has centralised all customer enquiries to one point, thus enabling us to pour resources and efforts into a single minded endeavour. We support both telephonic and email interactions from our clients and support for Enterprises services is 24x7x365.

Sales and Marketing

From a business standpoint, we have 5 different lines of business. But on the sales front, the entire team is trained to upsell and cross sell across the entire bandwidth of services. We believe this is essential and imperative given the space for bundling of our services. The 310 person Sales team caters to the demand of Enterprises and the growing SMB market.

Technology and Network Infrastructure

Geographic coverage: Our network today reaches more than 1241 towns and cities and between them have approximately 40,000 links. This network is completely owned giving us complete control on the technology, traffic and speed over them. These points of presence, or primary nodes, reside at the core of a larger Internet protocol network with a Star and meshed topology architecture thereby building in redundancy at every point and translating into minimum or no downtime for customers.

Today we offer the following services to our Enterprise and consumer customers using our network.

Internet access services,
IP/ MPLS Virtual private networks,
Internet based Voice services

Each point of presence contains data communications equipment housed in a secure facility owned, leased or operated on an infrastructure co-location basis by our Company. The last mile connecting to the customer can be a leased line, ISDN or point-to-multipoint radio link which we have licensed from the Wireless Planning Commission. We also use certain frequency radios, which do not require an operating license, in some locations. Our larger corporate customers access the point of presence directly through leased lines or wireless links.

Network Architecture: We ensure network reliability through several methods and have invested in proven technologies. We use routers to route traffic between nodes interconnected using a high speed interface. Most of our applications and network verification servers are manufactured by IBM, Sun and Hewlett-Packard.

The primary nodes on the backbone network are connected by multiple high-speed fiber optic lines that we lease from long distance operators. The secondary nodes are connected by lower speed leased lines. A number of nodes are accessible from at least two other nodes, if not, by two long distance operators, allowing us to reroute traffic in the event of failure on one route. We reduce our exposure to failures on the local loop by usually locating our points of presence within range of service providers switching equipment and purchasing connectivity from multiple providers. To further maximize our network uptime, we are almost completely connected on fiber optic cables to the switching points of our service providers from our POPs.

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In addition to a fundamental emphasis on reliability and security, our network design philosophy has focused on compatibility, interoperability, scalability and quality of service. We use Internet protocol with Multi Protocol Label Switching, or MPLS, to transmit data, thus ensuring that our network is completely interoperable with other networks and systems and that we may port any application onto our network. The modular design of our network is fully scalable, allowing us to expand without changing the network design or architecture.

Network Operations Centre: We maintain a network operation centre located in Chennai (Madras) and a backup facility in Mumbai (Bombay). The Chennai facility houses our central network servers as well as our network staff who monitors network traffic, service quality and equipment at all our points of presence to ensure a reliable Internet service. These operation centres are staffed 24-hours-a-day, seven-days-a-week. We have backup power generators and software and hardware systems designed to prevent network downtime in the event of system failures. In the future, we may add additional facilities to supplement or add redundancy to our current network monitoring capability.

Data Centre Infrastructure. We operate five tier III Internet Data Centres, two in Mumbai, one each at Chennai and Bangalore and the latest one at Noida near Delhi. We offer managed hosting, security and infrastructure management services from these facilities. These data centres are completely integrated with our IP / MPLS network which provides seamless connectivity for our customers from their premise to their applications hosted in the Data Centres. The Data Centres conform to the tier III standards to cater to the security consideration of our customer servers. We intend to invest in additional Data Centres, and are currently building a world class data centre at Rabale in Mumbai.

Competition

Given our wide spread of services, our competition is also long and varied. As the markets in India for corporate network/data services, Internet access services and online content develop and expand, we will continue to see the entry of newer competitors and those with deeper pockets.

Individually, we will see competition intensify from established players like Reliance, TATA Communications and Bharti for Telecom services, Ctrl S, Reliance and Net Magic for Data Centres, proprietary leaders like IBM and localized players like Ramco for Cloud services, traditional software majors like Infosys, HP, Wipro and TCS for Applications Integration services and large entities like Reliance and TCS for our Technology Integration services.

Intellectual Property

Our intellectual property rights are important to our business. We rely on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We have filed trademark and service mark applications in India for registering our product and service offerings.

Our efforts to protect our intellectual property may not be adequate. We hold no patents, and our competitors may independently develop similar technology or duplicate our services. Unauthorized parties may infringe upon or misappropriate our services or proprietary information. In addition, the laws of India do not protect proprietary rights to the same extent as laws in the United States, and the global nature of the Internet makes it difficult to control the ultimate destination of our services. For example, the legal processes to protect service marks in India are not as effective as those in place in the United States. The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly.

We could be subject to intellectual property infringement claims as the number of our competitors grows and the content and functionality of our websites or other service offerings overlap with competitive offerings. Defending against these claims, even if not meritorious, could be expensive and divert management's attention from operating our Company. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. We may be unable to develop non-infringing technology or obtain a license on commercially reasonable terms, or at all.

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We also rely on a variety of technologies that are licensed from third parties. We use software developed by these and other companies to perform key functions. These third-party licenses may not be available to us on commercially reasonable terms in the future. The loss of any of these licenses could delay the introduction of software enhancements, interactive tools and other features until equivalent technology could be licensed or developed. Any such delays could materially adversely affect our business, results of operations and financial condition.

Government Regulation

Our business is subject to comprehensive regulation by the Ministry of Communications through the Telecom Commission and the DoT, pursuant to the provisions of the Indian Telegraph Act of 1885, or Telegraph Act, the India Wireless Telegraphy Act, 1933, or Wireless Act, the Information Technology Act, 2000 or IT Act and the terms of our Internet service provider license issued by the DoT under which we operate. Pursuant to the Telegraph Act, the provision of any telecommunications services in India requires a license from the Government of India, obtained through the DoT. While the Telegraph Act sets the legal framework for regulation of the telecommunications sector and the Wireless Act regulates the possession of wireless telegraphy equipment, much of the supervision and regulation of our Company is implemented more informally through the general administrative powers of the DoT, including those reserved to the DoT and other governmental agencies under our license.

In March 1997, the Government of India established the TRAI, an independent regulatory authority, under the provisions of the Telecom Regulatory Authority of India Act. The TRAI is an autonomous body consisting of a chairperson and at least two and not more than four members.

Under the Telecom Regulatory Authority of India Act, the functions of the TRAI are to:

make recommendations on (i) the need and timing for the introduction of new service providers, (ii) the terms and conditions of licenses granted to service providers, (iii) the revocation of licenses for non-compliance, (iv) measures to facilitate competition and promote efficiency in the operation of telecommunications services so as to facilitate growth in such services, (v) technological improvements in the services provided by service providers, (vi) the type of equipment to be used by service providers, (vii) measures for the development of telecommunications technology and the telecommunications industry and (viii) the efficient management of the available spectrum;

discharge the following functions: (i) ensure compliance of the terms and conditions of licenses, (ii) fix the terms and conditions of interconnectivity between service providers, (iii) ensure technical compatibility and effective interconnection between service providers, (iv) regulate revenue sharing arrangements between service providers, (v) establish standards of quality of service, (vi) establish time periods for providing local and long distance telecommunications circuits between service providers, (vii) maintain and keep for public inspection a register of interconnect agreements and (viii) ensure effective compliance of universal service obligations;

- levy fees and other charges at such rates and in respect of such services as may be determined by regulation; and

perform such other functions as may be entrusted to it by the Government of India or as may be necessary to carry out the provisions of the Telecom Regulatory Authority of India Act.

The TRAI also has the authority to, from time to time, set the rates at which domestic and international telecommunications services are provided in India. The TRAI does not have authority to grant licenses to service providers or renew licenses, functions that remain with the DOT. The TRAI, however, has the following powers:

- to call on service providers to furnish information relating to their operations;
- to appoint persons to make official inquiries;
- to inspect the books of service providers; and
- to issue directives to service providers to ensure their proper functioning.

Failure to follow TRAI directives may lead to the imposition of fines. Decisions of the TRAI may be appealed to the Telecom Disputes Settlement and Appellate Tribunal.

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On May 31, 2012, the Union Cabinet approved the National Telecom Policy-2012 (NTP-2012) and the Cabinet also approved introduction of Unified License (UL), a new regime wherein all telecom based government approvals are handled under one umbrella and authorized the Department of Telecommunications (DoT) to finalize the new Unified Licensing regime. DoT issued Guidelines for Grant of Unified License - vide No. 20-281/2010-AS-I (Vol.VI) dated August 19, 2013 and also notified Unified License agreement on August 2, 2013 with the Corrigendum dated August 29, 2013

As per the new Guidelines, any company applying for renewal of any license under New Unified License regime, such company has to apply for all the required licenses for such company from DoT under new Unified License regime. The Company signed Unified License agreement with Government of India on June 2, 2014 valid for 20 years.

Organizational Structure

We are not part of any group. A list of subsidiaries and relevant information about them is provided in Exhibit 8.1 to this Annual Report.

Property, Plant and Equipment

We own approximately 100,000 square feet corporate headquarters located in Chennai (Madras), India and an approximately 20,000 square feet regional office in Mumbai (Bombay). We have leased approximately 3,500 square feet network operations center in Chennai, a 27,000 square feet Data Centre in Vashi, Mumbai, and 95,250 square feet Data Centre in Airoli and 46,600 square feet in Bangalore Data Centre. In November 2011, we acquired 175,000 square feet of building space for construction of a Data Centre space in Noida, UP on acquisition of Pace Info Com Park Private Limited, through Hermit Projects Private Limited, its holding company. Construction in the said Data Centre is completed and was live during the year. We have acquired over 200,000 square feet of building space for construction of a Data Centre space in Rabale, Mumbai which facility is under construction.

Our Chennai facility houses our central network servers as well as our network staff who monitors network traffic, service quality and equipment at all our points of presence, or POPs, to ensure a reliable Internet service. We have POPs in over 1,241 towns/cities across India. Most of our POPs are staffed 24-hours-a-day, seven-days-a-week. Our POPs average approximately 750 square feet at each location. We have backup power generators and software and hardware systems designed to prevent network downtime in the event of system failures. In the future, we may add additional facilities to supplement or add redundancy to our current network monitoring capability. Our property, plant and equipment are pledged towards obtaining loans / working capital facilities from banks.

The Company had entered into a contract with Emirates Integrated Telecom (“the Emirates”) for the construction and supply of undersea cable capacity from the Europe India Gateway (EIG). The Capacity has gone live during fiscal 2013. This enables significant capacity on ground leading to ability to service larger customers.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The financial statements of the Company included in this Annual Report on Form 20-F have been prepared in accordance with English version of International Financial Reporting Standards as issued by International Accounting Standards Board. The information set forth in Operating and Financial Review and Prospects is also for the Company's three recent fiscal years. The discussion, analysis and information presented in this section should be read in conjunction with our financial statements included herein and the notes thereto.

Operating Results

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below. Further, information relating to any governmental, economic policies or other factors which have materially affected, or could materially affect, directly or indirectly, the company's operations is set forth under the caption entitled 'Risk Factors' above.

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Liquidity and Capital Resources

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below.

Research and Development

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below.

Trend Information

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Sify is among the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common data network infrastructure reaching more than 1241 cities and towns in India. This telecom network today connects 36 client Data Centres across India, including Sify's own 5 Tier III Data Centres across the cities of Chennai, Mumbai, Delhi and Bengaluru.

Most of the company's revenue is derived from Telecom services and Data Centre Services.

Sify is ISO 9001:2008 certified for Enterprise Sales, Provisioning, support and customer relationship management of ICT solutions and services including VPN, Network, Voice, Data Centre hosting, Integration services, security services and managed services. Sify has been certified in SSAE16 SOC2 Type II for Cloud Infrastructure. Sify has

licenses to operate NLD (National Long Distance) and ILD (International Long Distance) services and offers VoIP backhaul for international carriers. With the Sify Cable landing station and partnerships with submarine cable companies globally, Sify is present in almost all the spheres of the ICT eco system.

The company has an expanding base of Managed Services customers, both in India and overseas, and is India's first enterprise managed services provider to launch a Security Operations Center (SOC) to deliver managed security services. Sify Software develops applications and offers services to improve business efficiencies of its current and prospective client bases. Sify also offers services in the specialized domains of eLearning, both in India and globally. The business also operates two of the most popular internet portals in India, Sify.com and Samachar.com.

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

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

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Data Centre Service: We operate 5 Tier III Data Centres of which two are located in Mumbai (Bombay) and one each at Noida (Delhi), Chennai (Madras) and Bengaluru, which are designed to act as reliable, secure and scalable facilities to host mission-critical applications. We offer co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent 'secure cages' at the hosting facility as per their application requirements. We also offer a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration.

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

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

Our innovative SLA driven utility-based On-Demand storage service manages the complete lifecycle of enterprise information, from its inception to its final disposal. The fully managed, utility based, On-Demand, scalable storage platform is powered by global major in Data Systems. Sify's On-Demand storage service reduces the complexities of deploying and managing multiple storage tiers, and lowers operational costs by automating management with flexible need based pricing.

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

Applications Integration service: Our range of web-applications include sales force automation, supply chain management, intranet and extranets, workflow engine and knowledge management systems.

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

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

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

There are numerous risks and challenges affecting the business. These risks and challenges are discussed in detail in the section entitled 'Risk Factors' and elsewhere in this Annual Report.

Revenues

Telecom Services

These primarily include revenue from connectivity services, NLD/ILD services and to a lesser extent, revenues from the installation of the connectivity link. In certain cases, these elements are sold as a package consisting of all or some of the elements. We sell hardware and software purchased from third party vendors to our high value corporate clients. Our connectivity services include IPVPN services, Internet connectivity, last mile connectivity (predominantly through wireless). We provide these services for a fixed period of time at a fixed rate regardless of usage, with the rate for the services determined based on the type of service and capacity provided, scope of the engagement and the Service Level Agreement, or SLA. We provide NLD (National Long Distance) and ILD (International Long Distance) services and carry voice traffic for Inter-connect Operators. Revenue is recognized based upon metered call units of voice traffic terminated on our network.

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Data Centre services

Revenue from Data Centre services include, revenue from co-location of space, racks, caged racks and on usage of power from large contracts. The contracts are mainly fixed rate for a period of time based on the space or the racks used and usage revenue is based on consumption of power on large contracts.

Cloud and Managed Services

Revenue from Cloud and Managed services, are primarily from “ Cloud and On demand storage”, “ Domestic managed services and “ International managed services”. Contracts from Cloud and on demand storage , are primarily fixed and for a period of time. Revenues from Domestic and International manage services, comprises 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 T&M.

Technology Integration Service (TIS)

Revenues from TIS comprises of DC build services, Security services and from sale of Digital certificates. Contracts under TIS are based on completion of projects and could also be based on T & M.

Applications Integration Services

Revenue from Applications Integration Services (Apps SI) comprises of Online Assessment, Web development, supply chain solutions and content management. Contracts are primarily fixed in nature for a period of time and also could be based on T & M.

Expenses

Cost of goods sold and services rendered

Telecom Services

Cost of goods sold and services rendered for the corporate network/data services division consists of telecommunications costs necessary to provide services and cost of goods in respect of communication hardware and security services sold, commission paid to franchisees and cable television operators, the cost of voice termination for voice and VoIP services and other direct costs. Telecommunications costs include the costs of international bandwidth procured from TELCOs and are required for access to the Internet, providing local telephone lines to our points of presence, the costs of using third-party networks pursuant to service agreements, leased line costs and costs towards spectrum fees payable to the Wireless Planning Commission or WPC for provision of spectrum to enable connectivity to be provided on the wireless mode for the last mile. Other costs include cost incurred towards our Annual Maintenance Contract (AMC), the cost of installation in connectivity business and the costs incurred in providing Hosting services. In addition, the Government of India levies an annual license fee of 8% of the adjusted gross revenue generated from IP-VPN services and Voice services under the NLD/ILD license.

Data Centre Services

Cost of goods sold and services rendered for the Data Centre services consists of cost of electrical power consumed , cost of rental servers offered to customers and cost of licences used to provide services.

Cloud and Managed Services

Cost of goods sold and services rendered for the Cloud and Managed services consists of cost of licences in providing services, cost of billable resources in case of International Managed services, Third party professionals engaged in providing services, associate costs of the delivery teams and cost of operations of DC build BOT projects.

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Technology Integration Services

Cost of goods sold and services rendered consists of cost of hardware and software supplied for DC build projects, cost of digital certificates and platform usage, cost of security hardware and software supplied and cost of hardware and software procured for System integration projects.

Applications Integration Services

Cost of goods sold and services rendered consists of professionals charges payable to domain specialists and subject matter experts, cost of billable associates of e-learning business, cost of operating in third party facility for online assessment including invigilator costs and cost of procuring and managing content for the websites and other direct costs for the revenue streams.

Selling, general and administrative expenses

Selling, general and administrative expenses consists of salaries and commissions for sales and marketing personnel, salaries and related costs for executive, financial and administrative personnel, sales, marketing, advertising and other brand building costs, travel costs, and occupancy and overhead costs.

Depreciation and amortization

We depreciate our tangible assets on a straight-line basis over the useful life of assets, ranging from three to eight years and, in the case of buildings, 28 years. Undersea cable capacity is amortised over a period of 12 years and other intangible assets with finite lives are amortised over three to five years.

Impairment

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

31.

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”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Corporate assets for the purpose of impairment testing are allocated to the cash generating units on a reasonable and consistent basis.

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

Inventories

Inventories comprising traded hardware and software are measured at the lower of cost (determined using first-in first-out principle) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Deferred tax

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: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Stock compensation expense

A total of 5.73 million equity shares are reserved for issuance under our Associate Stock Option Plans (ASOPs). Our ASOP 2007 was adopted at the Eleventh Annual General Meeting held on September 24, 2007. As of March 31, 2014, we had an aggregate outstanding of 30,000 options under our ASOP with a weighted average exercise price equal to approximately 98.24 (\$1.63) per equity share. There is no unamortized stock compensation expense as at March 31, 2014.

Results of Operations

The following table sets forth certain financial information as a percentage of revenues:

	Fiscal		
	2014	2013	2012
	%	%	%
Revenues	100	100	100
Cost of goods sold and services rendered*	58.67	62.32	66.56
Other income/(expense)	0.89	0.59	0.49
Selling, general and administrative expenses	26.19	28.60	27.07
Depreciation and amortization expenses	10.53	9.90	8.98
Profit/(loss) from operating activities	5.50	(0.23)	(2.12)
Finance income	1.15	0.86	0.77
Finance expenses	(3.61)	(3.04)	(3.98)
Net finance income/(Loss)	(2.46)	(2.17)	(3.21)
Profit on sale of equity accounted investee	-	7.67	-
Share of profit of equity accounted investee	-	-	0.35
Profit before tax	3.04	5.26	(4.98)

Income tax (expense)/ benefit	-	-	-
Net profit/(loss) for the year	3.04	5.26	(4.98)

*Power cost which was previously included under “Selling, general and administrative expenses” has been reclassified to “Cost of goods sold and services rendered” and the comparative numbers have been restated accordingly.

Results of year ended March 31, 2014 compared to year ended March 31, 2013

Revenues

The growth in our revenues in fiscal 2014 from fiscal 2013 is given below

	2013 - 14	2012-13	Increase/ (decrease)	% Change
Revenues	10,460	8,570	1,890	22 %

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We have changed the operating segments of the company from (i) Enterprise Services and (ii) Software Services to Five business units structure namely:(i) Telecom Services (ii) Data Centre Services (iii) Cloud and Managed Services (iv) Technology Integration Services and (v)Applications Integration Services. Consequently we have done the analysis in this section based on the revised operating segments. (Refer Segment Note 33)

Year 2013-14 had a 22% growth with an increase in revenues of 1,890 Million (\$31.4 Million) contributed largely by Telecom Services with a revenue growth of 1,537 Million (\$25.5 Million) and Applications Integration Services 303 Million (\$5 Million).

The revenue by operating segments is as follows:

	Revenue		Percentage of revenue		Growth %	
	2013-14	2012-13	2013-14	2012-13		
Telecom Services	6,875	5,338	65 %	63 %	29 %	
Data Centre Services	1,223	1,236	12 %	14 %	(1 %)	
Cloud and Managed Services	515	510	5 %	6 %	1 %	
Technology Integration Services	843	785	8 %	9 %	8 %	
Application Integration Services	1,004	701	10 %	8 %	43 %	
Total	10,460	8,570				

Revenue from Telecom Service has increased by 1,537 Million (\$25.50 Million) primarily due to (i) an increase in revenue of 820 Million (\$13.6 Million) in Voice Services, which is on account of an increase of 828 Million from ILD business, contributed by volume increase of 1276 million minutes, partially offset by reduction of 8 Million (\$ 0.1 million) from VoIP services, and (ii) an increase in revenue of 717 Million (\$11.90 Million) from Connectivity Services, contributed by an increase in number of links and customer engagements.

Revenue from Data Centre Services has marginally decreased by 13 Million (\$0.2 Million), due to reduction in usage revenues.

Revenue from Cloud and Managed Services has increased marginally by 5 Million (\$0.1 Million), primarily on account of an increase of 67 Million (\$1.11 Million) cloud based offerings on account of new customer engagements and partially offset by a reduction in Infrastructure management services by 62 Million (\$1.04 million) due to reduction in customer engagements.

Revenue from Technology Integration Services has increased by 58 Million (\$1 Million), on account of increase in revenues from large contracts by 107 Million (\$1.8 million), which was offset by a decrease in revenue of 49 Million (\$.8 million) from digital certification and Security Business.

Revenue from Applications Integration Services has increased by 303 Million (\$5 Million). The increase is primarily attributable to increase in (i) Application services by 202 Million, which is on account of an increase in revenue by 70 Million from Online Assessment Services, 84 Million from license based opportunities and 41 Million from a large government project on Applications integration (ii) e Learning business increase by 84 Million on account of new customer engagements and (iii) Portals business by 17 Million, on account of new engagements.

The company is expected to benefit from the ongoing Data Centre projects, undersea cable capacity, cable landing station and the large Government project that is being rolled out.

Other income

The change in other income is as follows:

	2013	2012-13	Increase/ (decrease)	% Change
Other income	93	50	43	86

The other income for the fiscal year 2014 consists of 56.60 million (\$ 0.94 million) of write back of liabilities no longer payable, 19 million (\$ 0.3 million) of rental income , 11 million (\$ 0.2 million) towards reimbursement of investor related expenses pursuant to our ADS program and the balance income from sale of scrap The increase of 86% is on account of write back of liabilities no longer required which is partially offset by the reduction in rental income by 4.28 million (\$ 0.1 million) and all other incomes remaining at same level.

Table of Contents**Cost of goods sold and services rendered (COGS)**

Our cost of goods sold and services rendered in each of the business segment is set forth in the following table:

	2013-14	2012-13	Increase/ (decrease)	% change
Telecom Services	4,034	3,309	725	22 %
Data Centre Services	627	686	(59)	(9)%
Cloud and Managed Services	222	166	56	34 %
Technology Integration Services	709	671	38	6 %
Application Integration Services	545	509	36	7 %
Total	6,137	5,341	796	15 %

The cost of goods sold has increased by 15% on overall basis and the movement in COGS by nature of expense is explained in detail below:

	2013-14	2012-13	Increase/ (decrease)	% change
Network Costs	3,392	2,703	689	25 %
Revenue share	317	179	138	77 %
Cost of goods sold	804	787	17	2 %
Direct Resources costs	674	862	(188)	(22)%
Power costs*	591	590	1	0 %
Other direct costs	359	220	139	63 %
Total	6,137	5,341	796	15 %

* Power costs has been reclassified as a separate line item as part of “Cost of goods sold and services rendered” against the previous period classification under “Operating Expenses” as part of “Selling, general and administrative expenses”

Network cost comprises of cost of Bandwidth leased out from TELCOS, Inter connect charges and IP termination costs payable to carriers. Increase in Network costs of 689 million (\$ 11.46 million) is due to (i) 292 million increase in Bandwidth costs incurred on account of capacity upgrades and newer links and (ii) 397 Million of Inter connect charges due to the increase of 1276 million minutes in the volume of International Long distance.

Revenue share cost comprises of (i) Revenue share payable to DOT on licensed services and (ii) Revenue share payable to retail franchisees. Increase in Revenue share is on account of (i) Increase of 167 Million in the Revenue

share payable to DOT on account of increase in licensed Revenues and (ii) increase of revenue share percentage of 1% from 7% to 8% effective April 1 , 2013. This was partially offset by reduction of 30 Million in the revenue share payable to retail franchisees.

Cost of Goods sold consists of cost of Hardware and Software including adjustment of stock value for Net realizable value. The cost of Cost of Hardware and Software sold is linear on account of engagements remaining at same level.

Direct Resource costs comprise of the cost of resources deployed on the Network Infrastructure Delivery (Part of Telecom service), and resources involved in delivery of applications integration services, cost of billable resources of e Learning (Part of Applications Integration services) and Infrastructure Managed services (Part of Cloud and Managed Services). Decrease of resources costs of 188 million is primarily on account of reduction of (i) 133 million from resource cost of delivery of applications integration services and cost of billable resources of e learning and (ii) 60 million in resource cost of Network Infrastructure Delivery (Part of Telecom services). The reduction in direct resource costs is on account of right sizing of resources and reduction in number of employees.

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Power cost comprises of electricity charges incurred for our Data Centre operations. Power cost remained at same level due to operating efficiencies and alternate sourcing, despite increase in per unit tariff rate.

Other direct costs, comprises of Link implementation and maintenance charges pertaining to Telecom services, direct cost of Applications Integration services business, digital certificate platform, content costs and subject matter experts for international businesses. The increase in other direct costs of 139 million is primarily on account of increase of (i) 18 million in Link implementation and maintenance charges (ii) 40 million on account of operating costs of cloud and managed services and (iii) 92 million in application integrations services on account of operating cost of online assessment and cost of delivering large projects.

Selling, General and Administrative expenses

Selling, General and Administrative expenses of the Company by nature of expenses are set forth as follows:

	2013-14	2012-13	Change	% change	
Operating costs	827	599	228	38	%
Selling & Marketing Expenses	114	115	(1)	(1)	%
Associate Expenses	758	763	(5)	(.06)	%
Other Indirect expenses	828	781	47	6.02	%
Allowance for doubtful receivables	208	211	(3)	(1)	%
Forex (Gain)/ Loss	5	(18)	23	128	%
Total	2,740	2,451	289	11	%

Operating cost includes Rental, Repairs & Maintenance charges of our network operating centers, base stations and other co-location sites including the rent and maintenance for our Data Centres. Operating costs increased by 228 million (\$3.79 million) primarily on account of rent, repairs and maintenance and network operating cost which is due to increase in number of links and operating locations.

Selling & Marketing costs consist of, selling commission payable to sales partners, incentive to salesmen and, marketing and promotion costs. Selling & Marketing costs remained at the same level.

Associate expenses, consists of cost of the employees who are part of the Sales and marketing, Business development, General management and support services. Associate expense has decreased by 5 million (\$ 0.08 million) between two periods on account of optimization of resources and higher attrition rate during the period.

Other Indirect expense consists of, rental and electricity cost of office, travel cost, Legal charges, professional charges, communication and others.

Allowance for doubtful receivables consists of the charge on account of the provisions created during the year against doubtful debtors. Allowance for doubtful receivables marginally decreased by 3 million (\$ 0.05 million) between two periods.

Foreign exchange gain or (loss)

A significant portion of the foreign exchange differences arise on account of the USD movement as around 80% of our export revenues are denominated in dollars. The dollar rates have fluctuated in the range of 53.74 to 68.36 during the year 2013-14. There has been exchange gain at times of dollar appreciation from trade receivables which is offset by loss in our dollar denominated working capital borrowing and to some extent by trade payables.

Depreciation and amortization

Depreciation and amortization is set forth in the table below:

	2013 -14	2012-13	Increase/ (Decrease)	% Change
Depreciation and amortization	1,101	848	253	30
As a percentage of carrying value	20.75 %	27 %		

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As the business is continuing to expand, the amount of depreciation is increasing on account of constructing and deploying new facilities by the Company. The Data Centre facility at Noida and Rabale are each capitalized during the year which has contributed to an increase in depreciation of 135.90 million. There were also networking assets capitalized during the year for our connectivity business which has increased the depreciation by 77.40 million. Apart from depreciation, the amortization on leased assets taken for customer specific contracts has increased by 42.50 million during the fiscal 2014.

Taking into account the on-going construction of our Data Centre at Rabale and the expansion in our connectivity business, the charge of depreciation and amortization is expected to increase in the near future.

Profit/loss from operating activities

	2013	2012-13	Increase/ (Decrease)	% Change
Operating profit/(loss)	576	(19)	595	3131 %
As a percentage of revenue	5.51 %	.22 %		

The increase in operating profit is primarily contributed by the increase in the gross margin as a percentage of revenue. The percentage of Cost of goods sold and services rendered on revenue for the fiscal 2014 is 70% as against 80% during the fiscal 2013 thereby showing an increase in gross margin of 10%. Also selling and Marketing expenses as a percentage of revenue has decreased by 9%.

Finance income/expense

	2013	2012-13	Increase/ (Decrease)	% Change
Finance Income	120	74	46	62 %
Finance expense	(377)	(260)	117	45
Net Finance income/expense	(257)	(186)	71	

Finance income: There has been a capital infusion by promoters during the year which has helped the company to some extent in funding expansion and also to take advantage of the investment of surplus available. The company has also received income tax refunds during the year the interest portion of which has contributed to the increase in finance income. The finance income primarily consists of interest received from bank deposits of 61.9 million , interest received on IT refund 40.4 million and interest income on other deposits of 17.7 million. The interest received from bank has increased by 38.1 million from the last year and interest on income tax refund was received

only during the current year.

Finance expense: The finance expense primarily consists of 90.9 million of interest expense on leases, 61.3 million of interest paid on term loans, 80.19 million of interest paid on fund based working capital facilities from banks, 57.64 million interest paid to other financial institutions and 86.82 million of other borrowing costs paid in respect of utilization of non fund facilities from the banks and other processing charges. The company has raised a new term loan during the year of 225 million and hence, the interest on term loans has increased by 42.7 million over fiscal 2013. The interest on other borrowings has increased by 22.7 million and the interest expense on leases has increased by 70.1 over fiscal 2013. The increase in borrowings from other financial institutions is primarily to fund our commitments relating to one of our large customer specific contract.

Net Profit

	2013-14	2012-13	Increase/ (Decrease)	% Change
Net Profit	318	452	(134)	(30)%
As a percentage of revenue	3.04 %	5.27 %		

The increase in the Net Profit during the year 2012-13 was attributable to one-time gain of 658 million on account of sale of stake in equity accounted investee. There has been an increase in operating margins during the current year contributing to an increase in operating profit.

Table of Contents**Results of year ended March 31, 2013 compared to year ended March 31, 2012****Revenues**

The growth in our revenues in fiscal 2013 from fiscal 2012 is given below

	2012-13	2011-12	Change	% Change
Revenues	8,570	7699	871	11 %

We have changed the operating segments of the company from (i) Enterprise Services and (ii) Software Services to Five business units structure namely (i) Telecom Services (ii) Data Centre Services (iii) Cloud and Managed Services (iv) Technology Integration Services and (v) Application Integration Services. Consequently we have done the analysis in this section based on the revised operating segments (Refer note 33).

Year 2012-13 had a 11% growth with an increase in revenues of 871 million contributed primarily from Telecom Services with a revenue growth of 1,006 Million and 193 million from Data Centre Services, which was partially offset by a revenue decrease of 380 million from Technology Integration Services.

The revenue by operating segments and sub-segments is as follows:

	Revenue		Percentage of revenue		Growth %	
	2012-13	2011-12	2012-13	2012-13		
Telecom Services	5,338	4,332	63 %	56 %	23 %	
Data Centre Services	1,236	1,043	14 %	14 %	19 %	
Cloud and Managed Services	510	410	6 %	5 %	24 %	
Technology Integration Services	785	1,165	9 %	15 %	(33 %)	
Application Integration Services	701	749	8 %	10 %	(6 %)	
Total	8570	7,699				

Revenue from Telecom Services increased by 1,006 million, primarily attributable to an (i) increase in one time project based implementation revenues of 250 million (ii) Increase in recurring revenue of 353 Million due to increase in number of customer links and engagements in network connectivity services and (iii) increase in Voice revenues by 458 Million, which is on account of increase of 497 Million from ILD business, contributed by volume increase of 658 million minutes. These increases were partially offset by (i) 39 Million reduction on account of decrease in volumes of VoIP services, (ii) 18 Million reduction in Hardware and Software services on account of reduced opportunities and (iii) reduction in Retail Connectivity services of 36 Million on account of company defocusing this segment.

Revenue from Data Centre Services increased by 193 Million, on account of higher utilization of Data Centre Capacity at 97% utilization.

Revenue from Cloud and Managed Services increased by 100 Million, on account of increase of 145 Million from new engagements in Cloud based offerings which was partially offset by decrease of 43 million from infrastructure managed services due to decrease in customer engagements.

Revenue from Technology Integration Services decreased by 380 Million, on account of a large one time System Integration opportunity serviced in the previous year.

Revenue from Application Integration Services has decreased by 48 Million. The reduction of 48 Million is on account of (i) reduction in Hardware & Software services by 41 Million (ii) 16 Million in portals on account of lower customer engagement (iii) 2 million in e - Learning business on account of loss of existing customers. These decreases were partially offset by an increase of 8 Million from Online Assessment services.

Other income

	2012-13	2011-12	Increase /(decrease)	% Change
Other income	50	38	12	32 %

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The other income has remained linear between the periods.

Cost of goods sold and services rendered

	2012-13	2011-12	Increase/ (decrease)	% change	
Telecom Services	3,309	2,827	482	17	%
Data Centre Services	686	503	183	36	%
Cloud and Managed Services	166	202	(36)	(18)	%
Technology Integration Services	671	1,057	(386)	(37)	%
Application Integration Services	509	535	(26)	(5)	%
Total	5,341	5,124	217	4	%

The cost of goods sold increase by 4% on overall basis, the movement in COGS is explained in detail below:

	2012-13	2011-12	Increase/ (decrease)	% change	
Network Costs	2,703	2,283	420	18	%
Revenue share	179	165	14	8	%
Cost of goods sold	787	1,133	(346)	(31)	%
Direct Resources costs	862	863	(1)	0	%
Power costs *	590	463	127	27	%
Other direct costs	220	217	3	1	%
Total	5,341	5,124	217	4	%

* Power costs has been reclassified as a separate line item part of “Cost of goods sold and services rendered” against the previous period classification under “Operating Expenses” part of “Selling, general and administrative expenses”

Network cost comprises of cost of Bandwidth leased out from TELCOS, Inter connect charges and IP termination costs payable to carriers. Increase in Network costs is due to (i) 83 Million increase of Bandwidth costs incurred on account of capacity upgrades and newer links (ii) 379 Million of Inter connect charges due to the increase in the volume of International Long Distance and (iii) decrease in IP termination cost by 41 million on account of reduction in usage minutes.

Revenue share cost comprises of (i) Revenue share payable to DOT on licensed services and (ii) Revenue share payable to retail franchisees. Increase in Revenue share is on account of (i) Increase of 38 Million in the Revenue share payable to DOT on account of increase in licensed Revenues and increase of 1% from 6% to 7% effective July 1, 2012. This was partially offset by reduction of 23 Million in the Revenue share payable to retail franchisees.

Cost of Goods sold consists of cost of Hardware and Software including adjustment of stock value for Net realizable value.

The decrease in Cost of Hardware and Software is on account of large one time SI deal pertaining to the year 2011-12.

Direct Resource costs comprises of the cost of resources deployed on the Network Infrastructure Delivery (Part of Telecom service), and resources involved in delivery of application integration services, cost of billable resources of e Learning (Part of Application Integration services) and Infrastructure Managed services (Part of cloud and managed services). Direct resource costs remained at the same level between two periods.

Power costs comprise of electricity charges incurred for our Data Centre operations. Power costs increased by 127 million on account of higher capacity utilization linear to revenue.

Other Direct costs, comprises of Link implementation and maintenance charges pertaining to Telecom services, direct cost of Application services business, digital certificate platform , content costs , subject matter experts for international businesses. The Other Direct costs remained at the same level between two periods.

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Selling, general and administrative expenses	2012-13	2011-12	Increase/ (Decrease)	% change	
Operating costs	599	452	147	33	%
Selling & Marketing Expenses	115	114	1	1	%
Associate Expenses	763	755	8	1	%
Other Indirect expenses	781	694	87	13	%
Allowance for doubtful receivables	211	95	116	122	%
Forex (Gain) / Loss	(18)	(26)	8	(31)	%
Total	2,451	2,084	367	18	%

Operating costs includes Rental, Repairs & Maintenance charges of our network operating centers, base stations and other co-location sites including the rent and maintenance for our Data Centres. Operating costs increased by 147 million primarily on account of rent, repairs and maintenance and network operating cost which is due to increase in number of links and operating locations.

Selling & Marketing costs consist of, selling commission payable to sales partners, incentive to salesmen and, marketing and promotion costs. Selling & Marketing costs remained at the same level.

Associate expenses, consists cost of the employees who are part of the Sales and marketing, business development, General management and support services. Associate expenses have increased by 8 Million between two periods on account of fresh recruitments during the period.

Other Indirect expense consists of, rental and electricity cost of office, travel cost, Legal charges, professional charges, communication and others. Other indirect costs increased by 87 million primarily on account of provision for export scrips (SFIS) on account of lower import visibility and increase in legal, professional and consultancy charges during the year

Allowance for doubtful receivables consists, of the charge on account of the provisions created during the year against doubtful debtors. Allowance for doubtful receivables increased by 116 million on account of provisioning of doubtful debts including certain exposure on large projects.

Forex gain/(loss) consists of unrealized gain or (loss) on account of restatements at the period end. The current fiscal had a net forex gain on account of favorable currency fluctuation.

Depreciation and amortization

Depreciation and amortization is set forth in the table below:

	2012-13	2011-12	Increase/ (decrease)	% Change	
Depreciation and amortization	848	692	156	23	%
As a percentage of carrying value	27 %	24 %			

The increase is due to larger capitalization of assets. The capital work in progress at the end of March 31, 2013 stood at 2,498. The data centres which are under construction are expected to be capitalized in the fiscal year 2014.

Profit/loss from operating activities

	2012-13	2011-12	Increase/ (Decrease)	% Change	
Operating profit/(loss)	(19)	(163)	144	88	%
As a percentage of revenue	.22 %	2.12 %			

Due to increase in revenues and controlled operating costs, operating loss has come down significantly.

Finance income/expense

	2012-13	2011-12	Increase/ (decrease)	% Change	
Finance Income	74	59	15	25	%
Finance expense	(260)	(307)	47	15	%
Net Finance income/(expense)	(186)	(248)	62	25	%

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The increase in finance income is due to interest from deposits and interest income on the income tax refund received. The reduction in finance expense is due to reduction in LC charges during the current fiscal. The finance expense is expected to increase further with the leasing arrangements entered into towards the end of the fiscal year 2013.

Net Profit

	2012-13	2011-12	Increase/ (decrease)	% Change
Net Profit/(loss)	452	(383)	835	218 %
As a percentage of revenue	5.27 %	4.98 %		

The increase is attributable to better operational margin and one-time gain of 658 million on account of sale of stake in equity accounted investee. We expect improvements in operational margins due to change in revenue mix, leading to higher operating margin.

Results of year ended March 31, 2012 compared to year ended March 31, 2011

	2011-12	2010-11	Increase/ (decrease)	Percentage change
Revenues	7,699	6,887	812	12 %

Year 2011-12 had a 12% growth with an increase in revenues of 812 Million contributed largely by (i) Technology Integration Services with a revenue growth of 337 Million (ii) Telecom Services with a revenue growth of 271 Million and (iii) Data Centre Services with a revenue growth of 224 Million, which was partially offset by a decrease in revenue of 39 Million from Cloud and Managed Services.

We have changed the operating segments of the company from (i) Enterprise Services and (ii) Software Services to five business unit structure namely (i) Telecom Services (ii) Data Centre Services (iii) Cloud and Managed Services (iv) Technology Integration Services and (v) Application Integration Services. Consequently we have done the analysis in this section based on the revised operating segments. **(Refer Note 33)**

The revenue by operating segments and sub-segments is as follows:

SBU	Percentage of revenue				Growth %		
	2011-12	2010-11	2011-12	2010-11			
Telecom Services	4,332	4,061	56	% 59	%	7	%
Data Centre Services	1,043	819	14	% 12	%	27	%
Cloud and Managed Services	410	449	5	% 6	%	(9))%
Technology Integration Services	1,165	828	15	% 12	%	41	%
Application Integration Services	749	730	10	% 11	%	3	%
Total	7,699	6,887					

Revenue from Telecom Services has increased by 271 million. This increase is primarily attributable to an (i) increase of 104 million from network connectivity services, which is due to increase in the number of customers and links (ii) increase of 297 million revenue from International Long Distance. The increase in International Long Distance is on account of increase in volume by 449 million minutes. The increase in this segment is off-set by decrease in Revenue of 130 Million from retail connectivity due to exit of franchises in e-Port and broadband sub-segment and reduction of connectivity services availed by retail customers and 3 million on hardware.

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Revenue from Data Centre Services increased by 224 million, on account of higher occupancy of Data Centre at an overall utilization ratio of 86%.

Revenue from Cloud and Managed Services decreased by 39 million, on account of increase in revenue of 40 Million in Cloud based offerings, which was set off by a decrease in revenue of 79 million in Infrastructure Managed Services, due to lower hardware sales.

Revenue from Technology Integration Services increased by 337 million, primarily on account of a one-time large System Integration deal by 354 million, which was marginally offset by a decrease of 17 million from Digital certification and Security business.

Revenue from Applications Integration services increased by 19 million. The increase is on account of revenue from (i) 34 Million from online assessment services (ii) 28 Million from web application services (iii) increase of 4.6 Million from Document managed services (iv) Increase of 6 Million from Forum services which was offset by (i) decrease of revenue from mail management services by 13 Million and (ii) 21.5 Million from Hardware & Software services, (iii) 12 million reduction in E Learning revenue of due to reduction in engagement from existing customers and (iv) 6 million from portal is on account of exit of customers and related opportunities.

Other income

	2011-12	2010-11	Change	% Change	
Other income	38	73	35	48	%

The decrease is mainly on account of decrease in interest on Income Tax refund and from duty credit entitlements under the "Served from India Scheme" (issued by the Government of India) in respect of the foreign exchange earnings from export of services

Cost of goods sold and services rendered

	2011-12	2010-11	Increase/ (decrease)	% change	
Telecom Services	2,827	2,665	162	6	%

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Data Centre Services	503	364	139	38	%
Cloud and Managed Services	202	288	(86)	(30)	%
Technology Integration Services	1,057	774	283	37	%
Application Integration Services	535	424	111	26	%
Total	5,124	4,515	609	13	%

The cost of goods sold increase by 13% on overall basis, the movement in COGS is explained in detail below:

	2011-12	2010-11	Increase/ (Decrease)	% change	
Network Costs	2,283	2,022	261	13	%
Revenue share	165	233	(68)	(29)	%
Cost of goods sold	1,133	957	176	18	%
Direct Resources costs	863	779	84	11	%
Power costs*	463	307	156	51	%
Others	217	217	0		
Total	5,124	4,515	609	13	%

* Power costs has been reclassified as a separate line item part of “Cost of goods sold and services rendered” against the previous period classification under “Operating Expenses” part of “Selling, general and administrative expenses”

Network cost of 261 million consists of cost of Bandwidth leased out from TELCOS, Inter connect charges payable to carriers, IP termination costs payable to carriers. Increase in Network costs is on account of (i) 51.9 Million increase of Bandwidth costs incurred on account of capacity upgrades and newer links (ii) 182 Million of Inter connect charges due to the increase in the volume of International Long distance and (iii) increase in IP termination costs by 27.8 Million on account of increase in usage of Minutes.

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Revenue share cost consists of (i) Revenue share payable to DoT on ISP, ILD & NLD services and (ii) Revenue share payable to retail franchisees. Decrease in Revenue share is on account of (i) Increase of 11.3 Million in the Revenue share payable to DoT on account of increase in Revenues and (ii) reduction of 79.3 Million in the Revenue share payable to Retail franchisees.

Cost of Goods sold consists of cost of Hardware and Software including adjustment of stock value for Net realizable value. The Increase in Cost of Goods sold is on account of hardware cost involved on a large one time System integration deal and partially offset by decrease in hardware costs from other System integration business opportunities.

Direct Resources costs consists of (i) the cost of resources deployed on the Network Infrastructure Delivery (ii) cost of billable resources associated with the e Learning and Infrastructure Managed services. During the year, there was an increase of 84.1 on account (i) increase of 68.2 Million on the resources costs of the Network Infrastructure Delivery and an increase of 15.9 Million on the cost of billable associates associated with the e Learning and Infrastructure Managed services.

Power costs comprises of electricity charges incurred for our Data Centre operations. Power costs increased by 156 million on account of higher capacity utilization.

Other costs, consists of Link maintenance charges for the Network services, Direct cost of Application services business, digital certificate platform, content costs, subject matter experts for international business. The decrease in Other costs is on account of (i) 11 Million on account of Digital certificates platform changeover to a new platform (ii) 4 Million reduction in the content costs of Portal business (iii) 3 Million reduction in Cost of Server rentals pertaining to Data Centre service (iv) 3 Million reduction in the costs of Document Management Services part Application services business (v) increase of 16 Million in subject matter experts deployed for Voiceover for international business and (vi) increase of 3 Million in the Link Maintenance costs part of Network Services

Selling, general and administrative expense:

	2011-12	2010-11	Increase/ (decrease)	% change	
Operating costs	452	419	33	8	%
Selling & Marketing Expenses	114	130	(16)	(12))%
Associate Expenses	755	695	60	9	%
Other Indirect expenses	694	798	(104)	(13))%

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Allowance for doubtful receivables	95	158	(63)	(40)%	
Forex (Gain) / Loss	(26)	14	(40)	(286)%
Total	2,084	2,214	(130)	(6)%	

Operating costs consists of, the electricity charges incurred on the Data Centre, rental cost of Data Centre, Rent of base station towers, Repairs and Maintenance costs of the Infrastructure, Annual Maintenance costs of the Infrastructure and insurance cost of the infrastructure. Operating costs remained at the same level between two periods.

Selling & Marketing costs consists of, selling commission payable to sales partners, discounts payable to customers, incentive to salesmen and marketing and promotion costs. Selling & Marketing costs remained flat between the two periods on account of lower marketing spends.

Associate expenses, consists of the annual cost of the employees who are part of the Sales and marketing function, Business development, General management and support services. Associate expenses had increased by 60 million on account of new recruitments across verticals and on account of yearly increase to the existing salary base.

Other Indirect expense consists of cost of facilities, electricity charges incurred on facilities, travel cost, Legal charges, professional charges, communication and others. Other indirect expenses decreased by 104 million primarily on account of lower travel expenditure compensated by increase in Legal, professional and consultancy charges during the year.

Allowance for doubtful receivables consist of the charge on account of the provisions created during the year against doubtful debtors. Reduction in Allowance for doubtful receivables is on account of lower exposure on debtors based on the review.

Forex gain/(loss) consists of unrealized gain or (loss) on account of restatements at the period end. The current fiscal had a net forex gain on account of favorable currency fluctuation.

Table of Contents**Depreciation and amortization**

Depreciation and amortization is set forth in the table below:

	2011-12	2010-11	Increase/ (Decrease)	% Change	
Depreciation and amortization	692	688	4	0.58	%
As a percentage of carrying value	24 %	18 %			

There were no huge capitalizations during the fiscal 2012 as compared to fiscal 2011 and hence, the depreciation is linear.

Profit/loss from operating activities

	2011 -12	2010 -11	Increase/ (Decrease)	% Change	
Operating profit/(loss)	(163)	(380)	217	57	%
As a percentage of revenue	2.12 %	5.51 %			

There was a reduction in operating margins because of increase in operating margins.

Finance income/expense

	2011-12	2010-11	Increase/ (Decrease)	% Change	
Finance Income	59	46	13	28	%
Finance expense	(307)	(259)	48	19	%
Net Finance income/(expense)	(248)	(213)	35	16	%

This increase was caused by higher utilization of borrowing limits

Share of profit in equity accounted investee

	2011-12	2010-11	Increase/ (Decrease)	% Change
Share of profit	27	73	(46)	(63)%

The decrease was due to drop in net profits due to unfavorable market conditions for MF Global Sify Securities India Private Limited.

Net Profit

	2011-12	2010-11	Increase/ (Decrease)	% Change
Net Profit/(loss)	(383)	(519)	136	26 %
As a percentage of revenue	4.98 %	7.54 %		

Reduction in losses is on account of higher revenues and incremental operating margins.

Foreign Exchange Fluctuations and Forwards

We enter into foreign exchange derivative contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in U.S. dollars. We enter into forward contracts where the counter party is a bank. These contracts generally mature between one to six months. These contracts do not qualify for hedge accounting under IFRS. Foreign exchange contracts are marked to market as at the balance sheet date and recognized in the consolidated income statement.

Table of Contents**Liquidity and capital resources**

The following table summarizes our statements of cash flows for the periods presented:

	2014	2013	2012	2014
	In '000	In '000	in '000	US \$ in '000
Profit / (loss) before tax	318,400	451,569	(383,337)	5,298
Other adjustments including non-cash items	1,615,640	660,516	1,061,744	26,883
Income tax (paid)/ refund received	53,519	(98,937)	(121,676)	890
Net decrease (increase) in working capital	(1,019,118)	(549,741)	43,483	(16,957)
Net cash from / (used in) operating activities	968,441	463,407	600,214	16,114
Net cash from / (used in) investing activities	(806,684)	(212,748)	(901,971)	(13,422)
Net cash from / (used in) financing activities	114,999	11,232	536,407	1,914
Effect of exchange rate changes on cash and cash equivalents	(422)	(33)	(4,258)	(7.02)
Net increase / (decrease) in cash and cash equivalents	276,756	261,891	234,650	4,605

Our growth has been financed largely by cash generated from operations, from the proceeds from the issuance of equity and bank borrowings.

As of March 31, 2014, we had cash and cash equivalents of 633 million (\$10.53 million), that included cash and bank balances of 1,270 million (\$21.13million) and bank overdraft of 637 million (\$10.60 million). We have utilized a working capital facility of 448 million (\$ 7.45 million) and bank borrowings of 544 million (\$9.05 million). Based on the projected cash flows, available lines of credit and promoter group capital infusion, we will have sufficient resources to meet capital expenditure needs and working capital requirements over the course of the next 12 months.

On October 22 2010, the company entered into a subscription agreement with Mr Ananda Raju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the offering. Pursuant to the terms of this subscription agreement, the company issued and allotted 125,000,000 equity shares to an entity affiliated and controlled by Mr. Raju Vegesna, our Chairman and Managing Director. In accordance with Indian law, the purchase price is to be paid at such time as determined by Board of Directors of the company. During the fiscal year 2014, the Company has received an aggregate of 300 million, in connection with this private placement, resulting in an aggregate of 2,800 million received till date. Although all 125,000,000 shares are deemed issued and outstanding, the unpaid portion of the equity shares issued pursuant to the subscription agreement do not have any voting rights and are not entitled to dividends, if declared. As of the date of this Annual Report, Mr. Vegesna has paid for 70% of the shares of the subscription. The balance of the proceeds from the allotment of the equity shares to our promoter group, or 1,200 million, will take place in tranches as per the amended subscription agreement and the Board of Directors assessment from time to time of the Company's capital requirements, as regards both timing and amount. See note 40

in the notes to the financial statements included in this Annual Report.

Our cash and cash equivalents comprise of cash and bank deposits. The restricted cash balance 210.23 million (\$3.50 million) primarily represents fixed deposits as margins with bankers.

Our external sources of credit include facilities sanctioned to us by Indian banks. We have working capital facilities in the form of short term loans, cash credit and overdraft facilities of an aggregate of 1,150 million (\$ 19.13 million) of which 637 million (\$ 10.6 million) was utilized as of March 31, 2014. Further, we were provided non-funded limits of 2,750 million (\$ 45.76 million) (primarily in the form of bank guarantees and letters of credit) which was fully utilized as of the reporting date. Our ongoing working capital requirements are significantly affected by the profitability of our operations and we continue to periodically evaluate existing and new sources of liquidity and financing.

We are taking steps to improve the cash position to meet our currently known requirements at least over the next twelve months. In light of the highly dynamic nature of our business, however, we cannot assure you that our capital requirements and sources will not change significantly in the future.

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Net cash generated from operating activities for the year ended March 31, 2014 was 968 million (\$16.1 million). This is mainly attributable to cash generated during the year and partially offset by increase in trade and other receivables by 1347.4 million (\$22.4 million), increase in other assets by 491 million (\$8.2 million), increase in inventories by 14 (\$0.23 million) and increase in trade and other payables by 677 million (\$11.26 million), and increase in deferred revenue of 145.57 million (\$ 2.42 million) on account of increase in advance billing in long term projects.

Net cash generated from operating activities for the year ended March 31, 2013 was 463 million. This is mainly attributable to cash generated during the year and partially offset by increase in trade and other receivables by 600 million, decrease in other assets by 100 million, increase in inventories by 205 on account of inventories procured for large project and reduction in trade and other payables by 8.08 million due to settlement of creditors, and increase in deferred revenue of 138.42 million.

Net cash generated from operating activities for the year ended March 31, 2012 was 600 million. This is mainly attributable to cash generated during the year and partially offset by increase in trade and other receivables by 105 million (million), increase in other assets by 326 million due to acquisition of leasehold land at Noida, India, increase in inventories by 5 and increase in trade and other payables by 472 million due to extended credit from vendors.

Net cash used in investing activities for the year ended March 31, 2014 was 807 million (\$13.43 million) primarily on account of expenditure on Data Centre construction at Noida, India and purchase of routers, modems, ports, servers, other capital equipments for our ongoing expansion plans and for large project implementation. The increase was partly offset by increase in finance income by 117 million (\$1.94 million).

Net cash used in investing activities for the year ended March 31, 2013 was 213 million primarily on account of expenditure on Data Centre construction at Noida, India and purchase of routers, modems, ports, servers, other capital equipments for our ongoing expansion plans and for large project implementation. The increase was partly offset by increase in finance income by 57 million.

Net cash used in investing activities for the year ended March 31, 2012 was 902 million primarily on account of expenditure on Data Centre construction at Noida, India and purchase of routers, modems, ports, servers, other capital equipments for our ongoing expansion plans and advance payments towards undersea cable arrangement with EIG amounting to 460 million. The increase was partly offset by increase in finance income by 49 million.

Net cash generated from financing activities for fiscal year 2014 was 115 million. The increase is mainly due to infusion of funds of 300 million by the promoters and increase in borrowings by 187 million. This was offset by payment of finance expenses of 372 million.

Net cash generated from financing activities for fiscal year 2013 was 11 million. We have taken a loan of 380 million. This was offset by decrease in finance expenses of 265million

Net cash generated from financing activities for fiscal year 2012 was 536 million mainly on account of capital infusion from promoter group amounting to 1,500 million. This was partly offset by decrease in bank borrowings by 600 million and payment of finance expenses of 312 million.

Capital expenditure

We incurred 930 million (\$15.47 million) towards capital expenditure for the year ended March 31, 2014. We expect further capital expenditure to be incurred during the fiscal year 2015 to strengthen our infrastructure capabilities. The capital expenditure was funded out of internal accruals, bank borrowings and finance leasing arrangements.

Research and development

The Company does not have research and development activities and has also not undertaken any sponsored research and development activities.

Trends

The information is set forth under the caption 'Management's Discussion and Analysis of Financial Condition and Results of Operations' - 'Operating and Financial review and Prospects'.

Table of Contents**Off-balance sheet arrangements**

We have not entered into any off-balance sheet arrangements as defined by SEC Final Rule 67 (FR-67), “Disclosure in Management’s Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations”.

Contractual obligations

Set forth below are our contractual obligations as of March 31, 2014:

Payments due by period (000s)

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt Obligations	984,494	397,934	382,337	193,667	10,556
Short Term Borrowings	637,347	637,347	-	-	-
Finance Lease Obligations	1,053,852	352,688	671,878	29,286	-
Non-cancellable Operating Lease obligations	1,690,119	123,316	256,429	284,123	1,026,251
Purchase Obligations	1,326,435	1,326,435	-	-	-
Total	5,692,247	2,837,720	1,310,644	507,076	1,036,807

Recent Accounting Pronouncements

(i) **IFRS 9 Financial Instruments:** In November 2009, the International Accounting Standards Board issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39. The effective date for IFRS 9 is annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9 was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity’s own debt. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity’s own credit risk in the

other comprehensive income. The company is required to adopt IFRS 9 from accounting year commencing April 1, 2015.

Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities: In December 2011, the International Accounting Standards Board issued amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities. The amendments clarify that an entity has a legally enforceable right to set-off if that right is not contingent on future event and enforceable both in the normal course of business and in the event of default, (ii) insolvency or bankruptcy of the entity and all counterparties. The amendments also clarified that gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The Company is required to adopt the amendment from accounting year commencing April 1, 2014 and currently evaluating impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers: During May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or (iii) services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and and improve guidance for multiple-element arrangements. The effective date of application is January 1, 2017 and the entity is evaluating the impact on consolidated financial statements.

Narrow scope amendments to IAS 16 and IAS 38: Clarification of Acceptable methods of Depreciation and Amortization: IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue (iv) generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. This will not affect the entity when adopted.

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Critical Accounting Policies

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 3 to our Consolidated Financial Statements included in Item 18 of this Annual Report on Form 20-F. Certain of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are the critical accounting policies and related judgments and estimates used in the preparation of the company's Consolidated Financial Statements. Management has discussed the application of these critical accounting estimates with our Board of Directors and Audit Committee.

Revenue Recognition

Various streams of revenue are described below:

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

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

- o the amount of revenue can be measured reliably;
- o it is probable that the economic benefits will flow to the seller;
- o the stage of completion at the balance sheet date can be measured reliably; and
- o the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

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

(i) Telecom Services

Revenue from Telecom services include Data network services and Voice services. Telecom services primarily include revenue from connectivity services, NLD/ILD services and to a lesser extent, revenues from the installation of connectivity links. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognized rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work. The Company provides NLD (National Long Distance) and ILD (International Long Distance) services through Company's network. The Company carries voice traffic, both national and international, using the network back-bone and delivers voice traffic to Inter-connect Operators. Revenue is recognized based upon metered call units of voice traffic terminated on the Company's network.

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(ii) Data Centre Services:

Revenues from DC services consist of hosting and power charges. Data Centre services primarily include revenue from co-location of racks, caged racks and on usage of power from large contracts. The contracts are mainly for a fixed rate for a period of time and are recognised over the period during which the service is provided.

(iii) Cloud and Managed Services:

Revenue from Cloud and managed services include revenue from “Cloud and storage solutions, managed services, value added services and Remote Infrastructure Management. Revenues from Cloud and on demand compute and storage, are primarily fixed for a period of time. Revenues from domestic and international managed services, comprise of value added services, operations and maintenance of projects and from remote infrastructure management. Contracts from this segment are fixed and could also be based on time and material.

(iv) Technology Integration Services:

Revenue from Technology Integration Services include system integration services, revenue from construction of Data Centres, network services, security solutions, digital certificate based authentication services and to a lesser extent, revenue from hardware and software.

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

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

(v) **Applications Integration Services:**

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

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click throughs / leads delivered. Revenues from commissions earned on electronic commerce transactions are recognised when the transactions are completed.

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

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Income from operating leases:

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

Indefeasible Right of Use (IRU)

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

Accounting Estimates

While preparing financial statements we make estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period.

Our estimate of liability relating to pending litigation is based on currently available facts and our assessment of the probability of an unfavorable outcome. Considering the uncertainties about the ultimate outcome and the amount of losses, we re-assess our estimates as additional information becomes available. Such revisions in our estimates could materially impact our results of operations and our financial position. Management believes that the estimates used in the preparation of the Consolidated Financial Statements are prudent and reasonable. The actual results could differ from these estimates.

Allowance for accounts receivable

The receivables primarily constitute dues from corporate and government customers. We maintain allowances for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make contractually agreed payments. We also make allowances for a specific account receivables if the facts and circumstances indicate that such account receivable is unlikely to be collected.

We estimate the amount of uncollectible receivables each period and establish an allowance for uncollectible amounts. The amount of the allowance is based on the age of unpaid amounts, information about the creditworthiness of customers, current economic trends and other relevant information. The assessments reflect management's best assumptions and estimates. Significant management judgment is involved in estimating these factors, and they include inherent uncertainties. Management periodically evaluates and updates the estimates based on the conditions that influence these factors. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period to period. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known.

Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using IFRS 3 (Revised), Business Combinations. IFRS 3 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 IFRS 3 (Revised). The cost of acquisition is measured at the fair of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

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

We amortize intangible assets on straight line basis over their respective individual estimated useful lives. Our estimates of the useful lives of identified intangible assets are based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

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Estimated Useful Lives of Property, Plant and Equipment

In accordance with IAS 16, *Property, Plant and Equipment*, we estimate the useful lives of plant and equipment in order to determine the amount of depreciation expense to be recorded during any reporting period. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods. Likewise, if the anticipated technological or other changes occur more slowly than expected, the useful lives could be extended. This could result in a reduction of depreciation expense in future periods.

Impairment

Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired and impairment losses are recognized if objective evidence indicates that one or more events such as a loss event, the significant financial difficulty of the issuer, a breach of contract, the disappearance of an active market, which have had a negative effect on the estimated future cash flows of that asset. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets measured at amortized cost:

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Available-for-sale financial assets:

Significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. The cumulative loss that was recognized in the equity is transferred to the income statement upon impairment.

Loans and receivables:

Impairment loss in respect of loans and receivables measured at amortized cost are calculated as the difference between their carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognized in the income statement.

Reversal of impairment loss:

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income and presented within equity.

Non-financial assets:

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at 31 December.

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"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Corporate assets for the purpose of impairment testing are allocated to the cash generating units on a reasonable and consistent basis.

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

Reversal of impairment loss:

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

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, in which case it is recognized 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: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

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

Table of Contents**Item 6. Directors, Senior Management and Employees****Directors and Executive Officers**

The following table sets forth the name, age and position of each director and senior management executive officer of our Company as of March 31, 2014:

Name	Age	Designation
Raju Vegesna (4) *	54	CEO, Chairman & Managing Director
Ananda Raju Vegesna (4)	54	Executive Director
C B Mouli (1)	67	Director, Chairman & Financial Expert of Audit Committee
S K Rao (1) (2) (3)	70	Director
T H Chowdary (2) (3)	82	Director & Chairman of Compensation & Nominating Committees
P S Raju (2)	60	Director
C E S Azariah (1) (2) (3) (4)	66	Director
Kamal Nath	49	Chief Executive Officer - Sify Technologies Limited, India
M P Vijay Kumar	44	Chief Financial Officer
C R Rao	54	Chief Operating Officer
Ravi Shelvankar *	45	Chief Executive Officer, Sify Technologies North America Corporation

Consequent to the incorporation of Sify Technologies North America Corporation, a wholly owned US subsidiary of the Company, Mr Ravi Shelvankar was appointed as the Chief Executive Officer of the US entity and responsible for the US business. Mr Kamal Nath will be the Chief Executive Officer of the Indian business. Both will be reporting to Mr Raju Vegesna, the CEO of the Company effective April 2014.

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating Committee.

(4) Member of the Corporate Social Responsibility Committee

Mr. Raju Vegesna, CEO, Chairman & Managing Director, has served as a Director of our Company since November 2005. He was appointed as the Chief Executive Officer and Managing Director of the Company effective July 18,

2006. Mr. Vegesna is a Silicon Valley entrepreneur who founded several leading edge technology companies, including Server Works Corporation, acquired by Broadcom in 2001. After that acquisition and he had a brief stint with Broadcom. He holds a BS in Electrical Engineering from the University of Bangalore and holds an MS in Computer Engineering from Wayne State University, USA, and holds several patents in Microprocessor and Multiprocessor technology. He is also a Director of Sify Software Limited, Server Engines LLC, Nulife Corp, USA, and Raju Vegesna Infotech & Industries Private Limited.

Mr Ananda Raju Vegesna, brother of Mr Raju Vegesna, CEO, Chairman and Managing Director, has served as an Executive Director of our Company since June 2007. He is the Director of Infinity Satcom Universal Private Limited, Village Inns (India) Limited, Raju Vegesna Infotech & Industries Limited, Raju Vegesna Developers Private Limited, Ramanand Core Investment Company Private Limited, Hermit Projects Private Limited, Pace Info Com Park Private Limited and Server Engines India (Private) Limited.

C.B. Mouli has served as a Director of our Company since July 2005. Mr. Mouli is a member of the Institute of Chartered Accountants of India and also holds a Bachelor of Law Degree. Mr Mouli, a partner of C.B. Mouli & Associates, a Chartered Accountants firm. He is a Director of Ammana Bio Pharma Limited and Ammana Equity Fund Private Limited.

S.K. Rao has served as a Director of our Company since July 2005. Mr Rao, currently is the Director General, Administrative Staff College of India, Hyderabad. Mr Rao previously worked at the Commonwealth Secretariat in London in various diplomatic capacities. He also acted as the Consultant for the United Nations and represented the Commonwealth Secretariat as an Observer at the meetings of the UN General Assembly. Mr. Rao holds a MA and a PhD in Economics from Trinity College, Cambridge, U.K.

T.H. Chowdary has served as a Director of our Company since February 1996. Dr. Chowdary retired as the Chief Executive Officer of VSNL. He has held key positions in the ITU, Intelsat and other international telecommunications organizations during the course of his career, and was involved in the establishment of the Centre for Telecommunications Management Studies (CTMS) at Hyderabad. Dr. Chowdary is also a director in Softsol India Limited and Tera Software Limited.

P. S. Raju has served as a Director of our Company since February 2006. Mr P S Raju is a member of the Institute of Chartered Accountants of India. Mr Raju is an independent Practising Chartered Accountant. He is also a Director of Suryashakti Agro Tech Private Limited and Suryashakti Estates and Developers Private Limited.

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C E S Azariah has served as a Director of our Company since March 2013. Prior to joining the Company, he served as CEO of Fixed Income Money Market and Derivatives Association of India (FIMMDA). He has vast experience of more than 35 years in different segments of operations in State Bank of India and retired as Chief General Manager.

Kamal Nath has served as the Chief Executive Officer of Sify Technologies Ltd. India operations since August 2012. He is a Graduate in Electronics & Communications from BIT, Sindri. He has an overall experience of 26 years in reputed organizations. Prior to joining Sify, he was with HCL Technologies Limited, a major IT company, responsible for the Infrastructure Services Division. He was with Larsen & Toubro Limited and Uptron India Limited in the early part of his career. He is responsible for the business operations in India.

M P Vijay Kumar has served as Chief Financial Officer since October 2007 and has over 20 years of experience in corporate audits, financial/management consulting, legal advisory services, management audit and investment banking. He is a Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institute of Company Secretaries of India and Associate member of the Institute of Cost and Works Accountants of India.

C R Rao, the Chief Operating Officer, has served as Vice President - Head HR & Administration since March 2009. He is a Graduate in Commerce and Law and also holds an MBA. He comes with an overall experience of 26 years with around 16 years of rich experience in Strategic Planning and Operations Management. Prior to joining Sify, he was with GSA Lufthansa as Vice President, responsible for Tamil Nadu and Andhra Pradesh. His key responsibilities included Strategic Planning, Business Development, Sales and Marketing for the Cargo division.

Ravi Shelvankar has joined the services of the Company in April 2014 as Chief Executive Officer of the wholly owned US Subsidiary. He is a Post Graduate in Mechanical Engineering from Birla University. He has more than 20 years of experience in the field of Information Technology, Manufacturing and Product Engineering Sales. Before joining Sify, he was associated with Wipro as General Manager & Global Head for IP sales and solutions based in USA and was successful in launching cloud based Products and Solutions. His prior experience includes working with iGATE and Infosys. He is responsible for the business operations in the US.

Infinity Capital Ventures, LP beneficially owned 7.79 % of our equity shares as of March 31, 2014. This shareholder is a party to the Subscription Agreement dated November 10, 2005 with our Company. The Subscription Agreement provides that, among other things, the Company shall appoint Mr Raju Vegesna as the Chairman of the Board of Directors, Infinity Capital shall also nominate another person to the Board of Directors and so long as Infinity Capital continues to own at least 10% of the Company's outstanding Equity Shares, the Company shall not enter into any agreement pursuant to which it would provide a third party with registration rights for Company securities, without the consent of Infinity Capital. In November 2005, Mr Raju Vegesna, a nominee of Infinity Capital Ventures, LP, was appointed as Chairman of our Board of Directors. In February 2006, the Company also appointed Mr. P S Raju as the second nominee of Infinity Capital to the Board of Directors.

We believe Infinity Satcom Universal Private Limited beneficially owned 8.14% of our equity shares as of March 31, 2014. Mr Ananda Raju Vegesna, Executive Director of the Company and brother of Mr Raju Vegesna, is the Director of Infinity Satcom. Infinity Satcom is presently controlled by Mr Raju Vegesna.

Director Compensation

Our Articles of Association provide that each of our directors may receive a sitting fee not exceeding the maximum limits prescribed under the provisions of the Indian Companies Act, 2013. Accordingly, our Directors, other than the Chairman and Managing Director and Executive Director, have been receiving 20,000 for each Board meeting and Committee meetings attended by them, effective October 2005. Since May 2014, the Directors have been receiving 50,000 for each Board Meeting attended by them. However, there is no increase in the sitting fee for the Committee meetings.

Mr Raju Vegesna, who is our CEO, Chairman and Managing Director, does not receive any compensation for his service on our Board of Directors. Similarly, Mr Ananda Raju Vegesna, who is employed as our Executive Director, also does not receive any compensation for his service on our Board of Directors. Directors are reimbursed for travel and out-of-pocket expenses in connection with their attendance at Board and Committee meetings. T. H. Chowdary, a Director of our Company, has been receiving 20,000 per month effective February 1, 2004 for the technical services rendered by him to us, after obtaining requisite Governmental permission for the same.

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The following table sets forth all compensation paid by us during the fiscal year ended March 31, 2014 to our executive officers:

Name	Summary Compensation Table (Million)	
	Salary(1)	Bonus
Kamal Nath	11.33	
M P Vijay Kumar	8.67	1.50
C R Rao	5.32	0.50

(1) Includes provident fund contributions.

As per the service contracts entered into with the employees (including executive officers), the Company provides the following retirement benefits: (a) Provident fund contributions and (b) Gratuity.

Provident fund contribution is a defined contribution plan governed by a statute in India. Under this, both employer and employee make monthly contributions (determined in relation to the basic salary of the respective employees) to a fund administered by the Government of India.

Gratuity is a defined benefit retirement plan covering all employees and provides for lump sum payment to employees at retirement or termination (computed based on the respective employees last drawn basic salary and years of employment with the Company). Liability for gratuity is accrued based on an actuarial valuation on an overall Company basis.

The Directors (who are not executive officers) are not entitled for any remuneration including any pension, retirement or similar benefit schemes.

The details of our contribution to provident fund in respect of the executive officers are set out below:

Name	in Million
Kamal Nath	0.58
M P Vijay Kumar	0.41
C R Rao	0.27

Gratuity expense is determined at an overall Company level based on an actuarial valuation performed by an independent actuary. Thus, the cost for the year ended March 31, 2014 in respect of gratuity and compensated absences towards executive officers of the Company was not separately determined. Gratuity cost relating to such executive officers is not estimated to be material.

We make bonus payments to employees including executive officers upon satisfactory achievement of the following two performance criteria.

(i) Performance of the Company: Represents bonus payable on achievement of overall revenue and net profit targets for the Company. These performance targets were not achieved for the year ended March 31, 2014 and no bonus was paid under this category.

(ii) Performance of the individual: Represents bonus payable on achievement of the individual's Key Responsibility Areas (KRA) and Key Performance Indicators (KPI). These KRAs and KPIs vary in relation to each employee including executive officers and include both financial and non-financial parameters.

We have provided for 34.1 million towards bonus payable for the year ended March 31, 2014 to employees including executive officers who have achieved the KRAs and KPIs.

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Board Composition

Our Articles of Association sets the minimum number of directors at three and the maximum number of directors at twelve. We currently have seven directors. The Indian Companies Act and our Articles of Association require the following:

- at least two-thirds of our directors shall be subject to re-election by our shareholders; and

at least one-third of our directors who are subject to re-election shall be up for re-election at each annual meeting of our shareholders.

On July 15, 2005, we appointed Messrs. S.K. Rao and C.B. Mouli as independent Directors of the Board to comply with the applicable NASDAQ rules.

Mr C E S Azariah was appointed as an independent Director effective March 25, 2013.

Dr T H Chowdary is also an independent Director of the Board.

Each of these Directors (Messrs S K Rao, C B Mouli, C E S Azariah, T H Chowdary) continue to remain independent in accordance with NASDAQ rules.

In addition, the Board of Directors has recommended the appointment of the above four Directors as the Independent Directors of the Board for a term of five consecutive years from the conclusion of the ensuing Annual General Meeting under the provisions of the Indian Companies Act, 2013. This matter will be subject to the shareholders' approval at the Annual General Meeting scheduled on July 28, 2014.

Term of Directors

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Mr Raju Vegesna, CEO, Chairman & Managing Director	Appointed as Chairman & Managing Director for a period of five years effective July 18, 2009. Pursuant to the recommendation of the Nomination & Remuneration Committee and the Board, he is reappointed as the Chairman & Managing Director for a further period of five years effective July 18, 2014 which is subject to the approval of the shareholders at the ensuing Annual General Meeting scheduled on July 28, 2014 and the Ministry of Corporate Affairs, Government of India. As per Articles of Association of the Company, he is not required to retire by rotation and hence shall hold office for the full term.
Mr Ananda Raju Vegesna, Executive Director	Appointed as Executive Director for a period of five years effective June 22, 2010. As per the Indian Companies Act, 2013, he is liable to retire by rotation along with other Directors and is eligible for reelection by the shareholders at the Annual General Meeting. His retirement is due in July 2014.
Dr T H Chowdary, Chairman of Compensation and Nominating Committees	Appointed as a Director in February 1996. As per the Indian Companies Act, 2013, the Board of Directors recommended his appointment as an Independent Director for a term of five consecutive years from the conclusion of the ensuing Annual General Meeting under the provisions of the Indian Companies Act, 2013. This matter will be subject to the shareholders' approval at the Annual General Meeting scheduled on July 28, 2014.
Dr S K Rao	Appointed as a Director in July 2005. As per the Indian Companies Act, 2013, the Board of Directors recommended his appointment as an Independent Director for a term of five consecutive years from the conclusion of the ensuing Annual General Meeting under the provisions of the Indian Companies Act, 2013. This matter will be subject to the shareholders' approval at the Annual General Meeting scheduled on July 28, 2014.
Mr P S Raju	Appointed as a Director in February 2006. As per the Indian Companies Act, 2013, he is liable to retire by rotation along with other Directors and is eligible for reelection by the shareholders at the Annual General Meeting. His retirement is due in 2015.
Mr C B Mouli, Chairman and Financial Expert of Audit Committee	Appointed as a Director in July 2005. As per the Indian Companies Act, 2013, the Board of Directors recommended his appointment as an Independent Director for a term of five consecutive years from the conclusion of the ensuing Annual General Meeting under the provisions of the Indian Companies Act, 2013. This matter will be subject to the shareholders' approval at the Annual General Meeting scheduled on July 28, 2014.
Mr C E S Azariah	Appointed as a Director by the Board of Directors in March 2013. As per the Indian Companies Act, 2013, the Board of Directors recommended his appointment as an Independent Director for a term of five consecutive years from the conclusion of the ensuing Annual General Meeting under the provisions of the Indian Companies Act, 2013. This matter will be subject to the shareholders' approval at the Annual General Meeting scheduled on July 28, 2014.

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The Company has service contracts with Mr. Raju Vegesna, Chairman and Managing Director and Mr. Ananda Raju Vegesna, Executive Director. The service contracts with Mr. Raju Vegesna and Mr. Ananda Raju Vegesna do not provide for any remuneration or benefits either during or upon termination of employment.

For other non-executive Directors, the Company does not have any service contract and such directors' term is governed by the Indian Companies Act, 2013.

The Company does not have any service contract with the other Senior Executives of its administrative, supervisory or management bodies. Such senior executives' appointment does not have any specific term and can be terminated by either party based on the terms of the contract.

Board Committees

Details relating to Audit, Compensation, Corporate Social Responsibility and Nominating Committees of our board are provided below:

Audit Committee

Our Audit Committee is comprised of three independent directors, as determined under applicable NASDAQ rules. They are:

Mr C B Mouli;

Dr S K Rao; and

Mr C E S Azariah

The primary objective of the audit committee is to monitor and provide effective supervision of our financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Our audit committee oversees the work carried out in the financial reporting process by our management, including the internal auditors and the independent auditor and reviews the processes and safeguards employed by each. In addition, our audit committee has the responsibility of oversight and supervision over our system of internal control over financial reporting, audit process, and process for monitoring the compliance with related laws and regulations. The audit committee recommends to our Board the appointment of our independent registered auditors and approves the scope of both audit and non-audit services. All members of the Audit Committee meet the independence requirements and majority of them meet financial literacy requirements as defined by applicable NASDAQ and SEC rules.

The Audit Committee held four meetings in person during fiscal 2014.

The Audit Committee has adopted a Charter and it is reviewed annually.

The Audit Committee has also adopted the Internal Audit Charter under the proposed NASDAQ Rule 5645 for Listed Companies on July 18, 2013.

Compensation Committee

Our Compensation Committee consists entirely of non-executive, independent directors as determined under applicable NASDAQ rules, and consists of:

Dr T H Chowdary;

Dr S K Rao;

Mr C E S Azariah and

Mr P S Raju

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

The Compensation Committee held four meetings in person during fiscal 2014.

The Compensation Committee has adopted a Charter and reviewed annually.

The Compensation Committee Charter was amended by the Board of Directors on June 24, 2013 in line with the amendments envisaged under NASDAQ Rule 5605(d)(3) applicable for NASDAQ listed companies.

Corporate Social Responsibility Committee

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

The CSR Committee of the board consists of the following Directors:

Mr Raju Vegesna

Mr Ananda Raju Vegesna

Mr C E S Azariah

The purpose of the CSR Committee is to monitor the implementation of the CSR projects or programs or activities undertaken by the Company and a responsibility statement shall be signed by the CSR Committee confirming

compliance with the CSR objectives and Policy of the Company. The Committee shall submit its report to the Board and the Board shall report the same in its report to the shareholders annually.

Nominating Committee

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

Dr T H Chowdary;

Dr S K Rao; and

Mr C E S Azariah

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

On April 22, 2014, the Nominating Committee has reviewed and recommended the reappointment of Mr Raju Vegesna as the Chairman and Managing Director of the Company for a further period of five years effective July 18, 2014.

The Nominations Committee has adopted a charter.

Employees

As of March 31, 2014, we had 1,782 employees, compared with 1,829 as of March 31, 2013. Of our current employees, 98 are administrative, 310 form our sales and marketing, 25 are in product and content development, 1,314 are dedicated to technology and technical support, and 35 are in business process and customer care. None of our employees are represented by a union. We believe that our relationship with our employees is good.

Table of Contents**Stock Ownership**

The following table sets forth information with respect to the beneficial ownership of our equity shares as of June 30, 2014 by each director and our senior management executives. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to equity shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all equity shares beneficially owned.

Beneficial Owner	Equity Shares Beneficially Owned	
	Number	Percent
Raju Vegesna *	154,011,051	86.27 %
Ananda Raju Vegesna	-	-
T. H. Chowdary	-	-
C B Mouli	-	-
P S Raju	-	-
S K Rao	-	-
C E S Azariah	-	-

All 125,000,000 shares have been allotted to Mr. Vegesna and his affiliated entities, as all shares are issued and outstanding. However, pursuant to Indian law, Mr. Vegesna does not have full voting power for the shares until such shares have been fully paid. As of June 30, 2014, the entities affiliated with Mr. Vegesna had paid for 70% of the shares sold pursuant to the subscription agreement described elsewhere in this Annual Report, and his beneficial ownership is approximately 83%. As only 87,500,000 shares have the right to vote at this time, he may only vote those 87,500,000 shares.

The balance amount of 30% on the 125,000,000 shares shall be paid by the affiliated entities of Mr Vegesna as and when the same is called by the Board of Directors of the Company based on the fund requirements of the Company. When such shares are fully paid, Mr Vegesna shall have full voting rights on the 125,000,000 shares.

* Other than the above, none of the Directors or Executive Officers of the Company holds any shares in the Company.

Employee Stock Option Plan

We have an Associate Stock Option Plan, or ASOP, which provides for the grant of options to employees of our Company. The ASOP 2007 was approved by our Board of Directors and our shareholders in September 2007 and 2,000,000 shares were reserved for issuance under the plan. This was in addition to the earlier ASOP Plans of 2000, 2002 and 2005. A total of 5.73 million equity shares are currently reserved for issuance under our ASOP Plans. As of March 31, 2014, we had outstanding an aggregate of 30,000 options under our ASOP Plans with a weighted average exercise price equal to approximately 98.24 (\$1.63) per equity share.

The ASOP Plans are administered by the Compensation Committee of our Board of Directors. On the recommendation of the Compensation Committee, we issue option letters to identified employees, with the right to convert the issued options into our equity shares at the rates indicated in the options. The consideration for transfer of the options is 1 per option to be paid by the employee before transfer of the options.

An employee holding options may apply for exercise of the options on a date specified therein which is referred to as the conversion date. The options are not transferable by an employee. The options lapse in the event of cessation of employment due to reasons of non-performance or otherwise. The equity shares transferred to the employee after conversion from options is the absolute property of the employee and will be held by the employee.

Associate Stock Option Plan 2014

The Company proposed to introduce a new Stock Option Plan under Associate Stock Option Plan 2014 (ASOP 2014) for granting as Equity Shares and/or ADSs linked warrants to the eligible Associates of the Company and its Holding/Subsidiaries/Associates. For this purpose, it is planned to allocate 25 million Equity Shares of 10/- each under ASOP 2014. The proposal is subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting scheduled on July 28, 2014.

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Item 7. Major Shareholders and Related Party Transactions

Principal Shareholders

The following table sets forth information with respect to the beneficial ownership of our equity shares as of June 30, 2014 by each person or group of affiliated persons who is known by us based on our review of public filings to beneficially own 5% or more of our equity shares. The table gives effect to equity shares issuable within sixty days upon the exercise of all options and other rights beneficially owned by the indicated shareholders on that date. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to equity shares as well as the power to receive the economic benefits of ownership of securities. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all equity shares beneficially owned. The information below is based on a review of filings made by such persons with the SEC.

Mr Raju Vegesna, the Co-Trustee of the Vegesna Family Trust, which is the owner of Infinity Capital Venture Management LLC, which is the general partner of Infinity Capital Ventures, LP, exercise voting control and dispositive power over the equity shares owned by Infinity Capital Ventures, LP. Mr Raju Vegesna, Chairman and Managing Director of our Company, is affiliated with Infinity Capital Ventures, LP.

Infinity Satcom Universal Private Limited is owned and controlled by Mr Raju Vegesna, Managing Director of the Company. .

Ramanand Core Investment Company Private Limited is a wholly owned subsidiary company of Raju Vegesna Infotech and Industries Private Limited which is owned and controlled by Infinity Satcom Universal Private Limited, which in turn is owned and controlled by Mr Raju Vegesna, CEO, Chairman and Managing Director of the Company.

As of March 31, 2014, entities affiliated with our CEO, Chairman and Managing Director, Mr. Raju Vegesna, beneficially owned approximately 86.27% of our outstanding equity shares, which includes the 125,000,000 shares (partly paid with proportionate voting rights) issued in connection with the private placement described below.

Equity Shares

Beneficially owned

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Shareholder	Number	Percent
Infinity Capital Ventures, LP, 11601 Wilshire Boulevard, Suite 1900, Los Angeles, CA 90025	13,902,860	7.79
Vegesna Family Trust, LP, 11601 Wilshire Boulevard, Suite 1900, Los Angeles, CA, 90025	578,191	0.32
Infinity Satcom Universal Private Limited, Visakhapatnam *	14,530,000	8.14
Ramanand Core Investment Company Private Limited, Visakhapatnam	125,000,000	70.02

* Ramanand Core Investment Company Private Limited is controlled by Raju Vegesna Infotech and Industries Private Limited, which is in turn, controlled by Infinity Satcom Universal Private Limited and therefore Infinity Satcom Universal Private Limited holds the beneficial interest in Ramanand Core Investment Company Private Limited.

Details of significant change in the percentage ownership held by the major shareholders:

Name of the shareholder	2011-12		2012-13		2013-14	
	No. of shares	%	No. of shares	%	No. of shares	%
Infinity Capital Ventures, LP, USA	13,902,860	7.79	13,902,860	7.79	13,902,860	7.79
Vegesna Family Trust, USA	578,191	0.32	578,191	0.32	578,191	0.32
Infinity Satcom Universal Private Limited	14,530,000	8.14	14,530,000	8.14	14,530,000	8.14
* Raju Vegesna Infotech and Industries Private Limited	-	-	-	-	-	-
** Ramanand Core Investment Company Private Ltd.	125,000,000	70.02	125,000,000	70.02	125,000,000	70.02

* 125,000,000 shares were issued to Raju Vegesna Infotech and Industries Private Limited at a discount of 50% to the prevailing American Depositary Share market price since the allotment of shares was for unlisted Indian equity shares. The shareholders of the Company approved the unregistered offering through voting in a general meeting where the promoter group beneficially owned 86.27% of the equity shares eligible to vote in the meeting.

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** Raju Vegesna Infotech and Industries Private Limited transferred its entire 125,000,000 shares to Ramanand Core Investment Company Private Ltd., its wholly owned subsidiary company.

Reference is drawn to note 40 to the Consolidated Financial Statement as regards the shareholding of Ramanand Core Investment Company Private Limited. As of such date, these shares are partly paid up to the extent of 70 % of the face value and hence carry voting rights proportionate to the paid up value of these shares. The Company has lien on these shares till such shares are fully paid up.

The Company has not issued any shares having differential voting rights and hence the Company's major shareholders do not have differential voting rights except for proportionate voting rights on the partly paid up shares.

United States Shareholders

As of March 31, 2014, 39,000,135 of our ADSs were held in the United States and we had approximately 15,610 shareholders in the United States. Each ADS represents one equity share.

Host country Shareholders

As on March 31, 2014, 139,530,652 of our equity shares were held in India and we had 24 shareholders on record in India. Each equity share has a par value of 10/- each. Of the above, 125,000,000 shares were partly paid up to the extent of 7.00 per share.

Control of Registrant

Based on our review of filings made with the SEC, we believe Infinity Capital Ventures, LP beneficially owned 7.79 % of our equity shares as of March 31, 2014. This shareholder is a party to the Subscription Agreement dated November 10, 2005 with our Company. The Subscription Agreement provides that, among other things, the Company shall appoint Mr Raju Vegesna as the Chairman of the Board of Directors, Infinity Capital shall also nominate another person to the Board of Directors and for so long as Infinity Capital continues to own at least 10% of the Company's outstanding Equity Shares, the Company shall not enter into any agreement pursuant to which it would provide a third party with registration rights for Company securities, without the consent of Infinity Capital. In November 2005, Mr

Raju Vegesna, a nominee of Infinity Capital Ventures, LP, was appointed as Chairman of our Board of Directors. In February 2006, the Company also appointed Mr. P S Raju as the second nominee of Infinity Capital to the Board of Directors.

Infinity Satcom Universal Private Limited, India also beneficially owned 8.14% of our equity shares as of March 31, 2014.

As of March 31, 2014, entities affiliated with our CEO, Chairman and Managing Director, Mr. Raju Vegesna, beneficially owned approximately 86.27% of our outstanding equity shares, which includes the 125,000,000 shares issued in connection with the private placement described below.

These shareholders are presently able to exercise control over many matters requiring approval by our shareholders, including the election of directors and approval of significant corporate transactions. Under Indian law, a simple majority is sufficient to control all shareholder actions except for those items, which require approval by a special resolution. If a special resolution is required, the number of votes cast in favor of the resolution must be not less than three times the number of votes cast against it. Examples of actions that require a special resolution include:

- altering our Articles of Association;
- issuing additional shares of capital stock, except for *pro rata* issuances to existing shareholders;
- commencing any new line of business; and
- commencing a liquidation.

Circumstances may arise in which the interests of Infinity Capital Ventures, LP or Infinity Satcom Universal Private Limited or a subsequent purchaser of their shares could conflict with the interest of our other shareholders or holders of our ADSs. These shareholders could prevent or delay a change in control of our Company even if a transaction of that sort would be beneficial to our other shareholders, including the holders of our ADSs.

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On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement with our promoter group, including an entity affiliated with our CEO, Chairman and Managing Director, Mr Raju Vegesna. See note 40 in the notes to the financial statements in this Annual Report.

Forfeiture of equity shares issued in a private placement

During the year ended March 31, 2008, Sify proposed a scheme of amalgamation to merge Sify Communications Limited (erstwhile subsidiary) with the Company and made applications to the appropriate authorities in India for approval of the proposed scheme of amalgamation to take over the IP-VPN services from Sify Communications Limited (erstwhile subsidiary) upon the consummation of the merger. Under the provisions of the local telecom regulations, a Company engaged in the business of providing IP-VPN services was required to maintain Indian shareholding at least 26% of the total paid up share capital of the Company. In order to maintain the Indian shareholding at 26% in Sify consequent to the approval of the proposed scheme of amalgamation, Sify and Infinity Satcom Universal, an Indian entity (the Purchaser) entered into a Subscription Agreement (effective March 24, 2008), whereby the Company agreed to sell, and Infinity agreed to purchase, 12,817,000 equity shares of the Company (herein after referred to as 'the Share Purchase'), at a per share purchase price of USD \$4.46/ - per share (referred to as 'the Purchased Shares'), equivalent to 175/- per share in Indian Rupees.

In connection with the private placement of shares to Infinity Satcom Universal, the independent directors of the Board of the Directors waived the provision of the Standstill Agreement dated November 10, 2005 prohibiting Infinity Capital Ventures, Raju Vegesna and any Affiliate from acquiring additional shares of the Company. Each of Messrs. Raju Vegesna and Ananda Raju Vegesna abstained from voting on the waiver.

The Company received a sum of 112,149 (comprising of 12,817 towards face value and 99,332 towards securities premium) and called up a sum of 448,595 (comprising of 25,634 towards face value and 422,961 towards securities premium). Subsequent to fiscal 2008, the Company withdrew its applications made to appropriate authorities for the approval of the proposed scheme of amalgamation with Sify Communications Limited (erstwhile subsidiary). Consequent upon the withdrawal of the merger, Infinity Satcom Universal communicated to Sify that they would not contribute to calls already made and any balance monies which would become payable under the Subscription Agreement. Hence, the Board of Directors forfeited the shares allotted and the monies collected (112,149 including sums towards capital and premium) at the meeting held on August 29, 2008.

Sale of shares in a private transaction

Pursuant to a Share Purchase Agreement dated May 31, 2009 between Infinity Capital Venture Management and Infinity Satcom Universal Private Limited, a Company owned and controlled by Ananda Raju Vegesna, Executive

Director of the Company and brother of Raju Vegesna, CEO & MD of the Company, Raju Vegesna has sold 4,000,000 Equity Shares of ₹ 10/- each of the Company to Infinity Satcom for a consideration of USD 3,000,000 in a private transaction.

Merger of Sify Communications Limited with Sify Technologies Limited

In November 2008, the Board of Directors of Sify Technologies Limited and Sify Communications limited decided to merge Sify Communications with Sify Technologies in view of the benefits accruing due to synergy of combined operations, availing of tax benefits, maximizing the utilization of the infrastructural facilities, human, financial and other resources etc. Based on a petition for the Scheme of Amalgamation filed with the High Court of Madras, India, the Court has approved the Scheme vide its order dated June 26, 2009. Consequent upon the consummation of merger, the Company has taken over the assets and liabilities of Sify Communications (erstwhile subsidiary) and Sify Communications ceased to exist and got dissolved without winding up.

As per the Scheme, Sify Technologies has issued and allotted 10,530,000 Equity Shares of ₹ 10/- each to Infinity Satcom, the only outside shareholder, towards the consideration for the assets and liabilities taken over by the Company

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Issuance of Equity Shares in private placement to the promoter group:

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement with our promoter group, including an entity affiliated with our Chairman and Managing Director, Mr Raju Vegesna. See note 40 in the notes to the financial statements in this Annual Report.

The proceeds from the proposed issue will be utilized for the ongoing capital expenditure and future expansion plans of the Company. As of March 31, 2014, we had received an aggregate of \$46.59 million approximately of proceeds from the issuance.

Related Party Transactions

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

In addition to the transactions described above regarding Mr. Raju Vegesna and Mr. Ananda Raju Vegesna, we engaged in the following transaction with the following entities affiliated with Mr. Raju Vegesna and Mr. Ananda Raju Vegesna.

VALS Developers Private Limited (“VALS”) is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal share holder and CEO, Chairman, Managing Director, was holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a memorandum of understanding with VALS Developers Private Limited to obtain land and building which is in the process of being constructed on a long term lease. The lease agreement, when final and executed, is expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for the incremental five year terms. In connection with this memorandum of understanding, Sify has paid a security deposit of 125,700 and advance rental of 157,125 to VALS. The security deposit will be refunded at the end of lease term and the advance rental would be adjusted over 15 months from the commencement of lease term. It is customary in India that whenever a premises is taken up on lease for commercial purpose, a rental advance is paid in multiple months of rent (e.g.) 10 months of rent, which shall be refunded at the time of vacating the premises without any interest.

During the year, on October 30, 2010, the Board of Directors had approved to cancel the MoU for lease arrangement and had decided to acquire the property which is under construction from the third party directly. On 12th January

2011, through a Memorandum of Amendment, the company with the intention to acquire the said land, had substituted its name with that of VALS and through such amendment VALS had agreed to assign all rights, responsibilities, obligations, title etc. in favour of the company, thus making the company eligible to acquire PACE through HERMIT and subsequently the land and also making liable to pay the entire consideration of 1,140,000. Hence the Company had paid VALS an amount of 2,175 i.e., difference between the amount paid by the Company to VALS and the amount paid by VALS to AIPL. During the previous year, the Company acquired the leasehold rights along with the building under construction through acquisition of entire shares HERMIT which in turn holds the entire shares of PACE, the original allottee of the land. As of March 31, 2014, the Company had paid a sum of 180,779 as an advance to AIPL towards construction of the building and any further sum it has to advance as per the commitment shall be adjusted towards value of investment in PACE after settling further debts and liabilities relating to construction of the said Data Centre.

The Company had entered into a lease agreement with Ms Radhika Vegesna, Daughter of Mr Anand Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of 256 per month and payment of refundable security deposit of 2,558. This arrangement will be automatically renewed for a further period of two blocks of three years with all the terms remaining unchanged. Also refer note 36.

The Company had entered into a lease agreement with Raju Vegesna Developers (P) Limited, in which Mr Ananda Raju Vegesna, the Executive Director of the Company is a Director, to lease the premises owned by such Company for a period of three years effective February 1, 2012 for 30 per month. Subsequently, the Company entered into an amendment agreement on April 1, 2013, providing for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years. See note 36 in the notes to the financial statements in this annual report.

The Company had entered into a lease agreement with Raju Vegesna Infotech and Industries Private Limited, in which Mr Raju Vegesna, Managing Director and Mr Ananda Raju Vegesna, the Executive Director of the Company are also Directors, to lease the premises owned by the above Company for a period of three years effective February 1, 2012 for 75 per month. Subsequently, the Company entered into an amendment agreement on April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years. See note 36 in the notes to the financial statements in this annual report.

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Loans to employees

We provide salary advances to our employees in India who are not executive officers or directors. The annual rate of interest for these loans is 0 %. As of March 31, 2014, the loan outstanding from employees is 0.53 million.

Item 8. Financial Information

Financial Statements

We have elected to provide financial statements pursuant to Item 18 of Form 20-F. No significant change has occurred since the date of our annual financial statements for fiscal year 2014.

Legal Proceedings

The Company and certain of its officers and directors are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which is captioned In re Satyam Infoway Ltd. Initial Public Offering Securities Litigation, also names several of the underwriters involved in Company's initial public offering of American Depository Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Company's ADSs from the time of Company's Initial Public Offering a) ("IPO") in October 1999 through December 2000. The central allegation in this action is that the underwriters in Company's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Company's ADSs in the IPO and the aftermarket. The complaint also alleges that Company violated the United States Federal Securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits.

On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The proposed settlement provides the plaintiffs with \$586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for \$100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On October 6, 2009, the District Court issued an order granting final approval of the settlement. Subsequent to the final approval of Settlement agreement by the District court, there were several notices of appeal filed. Most were filed by the same parties that objected to the settlement in front of the District Court. These appeals were consolidated into a single appeal and briefing schedule was held. On January 9, 2012 the class counsel and objectors counsel entered into a settlement agreement, which includes an agreement to dismiss the above appeal. Thus the above Appeal has been dismissed with prejudice confirming the Settlement agreement entered before the District Court.

During the year ending March 31,2013, the exposure under this settlement has been settled by the insurer as per the settlement agreement.

b) Proceedings before Department of Telecommunications

(i) License fees

On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications ('DOT') raised a demand on Sify Technologies for 14 million after correcting the arithmetical error in the assessment letter.

On February 26, 2010 DOT raised a demand on Sify Communications (erstwhile subsidiary merged with Sify Technologies Limited) for 26 million.

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The above demands were made by the DoT on the premise that all amounts of income (whether direct or indirect) including certain items like other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets & provision written back, that have got anything to do with telecom operations of the Company or arise in connection with the Telecom business of the Company, are to be considered as income for the purpose of calculation of the license fee. The Company has replied suitably on the above demand notice.

The service providers had approached Telecom Disputes Settlement & Appellate Tribunal ('TDSAT') on what items of income are liable for calculation of license fee and what all items of income on which license fees are not liable to be paid. TDSAT by its order clarified on the above. The TDSAT order was challenged by DoT in Supreme Court of India and the Supreme Court has set aside the TDSAT order. The service providers through their associations are contemplating further appeal in Supreme Court by way of review petition. Sify believes that in spite of the Supreme Court order, the above demands are not tenable under law nor fit into the definition of Adjusted Gross Revenue as defined by DoT. The Company believes it has adequate defenses for these demands and the ultimate outcome of these actions may not have a material adverse effect.

In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding 345 million (US \$ 7.05 million) towards spectrum charges payable from (ii) the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

Whilst the Company received allotment letter for Spectrum in 3.3 GHz band (3303.5/3353.5 MHz) (Total 12 MHz) the Company had neither started any operations in this frequency band nor had applied for any Operating License from DOT/ Wireless Planning Commission (WPC). The Company believes that the obligation to make payment will arise only after obtaining the operating license from DOT/WPC. The Company also believes that it has adequate legal defenses for these demands, as the Company has not yet obtained any operative license, hence such demand is not tenable. Nevertheless, the Company has as a commitment to hold and use the spectrum in the above band has paid 11.56 million towards 40 Base Stations and has surrendered the remaining 130 Base Stations. The Company believes that the ultimate outcome of these actions will not have a material adverse effect.

The Company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2014, the Company believes that it has adequate legal defenses for these actions and c) that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgment in all these cases, the maximum financial exposure would be 26.6 millions (March 31, 2013: 10.6 million)

Dividends

We have not declared or paid any cash dividends on our equity shares since inception. During the financial year, the Company has set off the accumulated losses against the Securities Premium. In view of the good performance of the Company and availability of divisible profits, the Board of Directors has recommended 10% cash dividend to all the shareholders of the Company for the year ended March 31, 2014, which is subject to the approval of the shareholders at the ensuing Annual General Meeting.

Under Indian law, a Company may pay dividends upon recommendation by its Board of Directors and approval by a majority of its shareholders. Any future cash dividends on our equity shares represented by ADSs will be paid to the depository in rupees and will generally be converted into dollars by the depository and distributed to holders of ADSs, net of the depository's fees and expenses.

However, the dividend payment policy of the Company is not certain and is contingent upon the each year's profits of the Company. Investors seeking cash dividends should consider this at the time of purchase of our ADRs.

Table of Contents**Item 9. The Offer and Listing****Trading Markets**

There is no public market for our equity shares in India, the United States or any other market. Our ADSs evidenced by American Depositary Receipts, or ADRs, are traded in the United States only on the NASDAQ Global Market. Each ADS represents one equity share. The ADRs evidencing ADSs were issued by our depository, Citibank, N.A., pursuant to a Deposit Agreement.

Price History

Our ADSs commenced trading on the NASDAQ Market on October 19, 1999. The tables below set forth, for the periods indicated, high and low trading prices for our ADSs in United States dollars:

Prior Fiscal Years

	High	Low
Fiscal year ended	\$	\$
March 31, 2014	2.73	1.69
March 31, 2013	3.35	1.75
March 31, 2012	8.25	2.84
March 31, 2011	3.68	1.20
March 31, 2010	2.69	1.04

	High	Low
Fiscal year ended March 31, 2014	\$	\$
First Quarter	2.03	1.72
Second Quarter	2.05	1.69
Third Quarter	2.73	1.82
Fourth Quarter	2.41	1.89

	High	Low
Fiscal year ended March 31, 2013	\$	\$

First Quarter	3.35	1.97
Second Quarter	2.65	2.04
Third Quarter	2.71	1.75
Fourth Quarter	2.40	1.94

Most recent six months

Month	High	Low
	\$	\$
June 2014	2.55	1.96
May 2014	2.19	1.84
April 2014	2.17	1.92
March 2014	2.13	2.00
February 2014	2.11	1.89
January 2014	2.41	1.93

Item 10. Additional Information

Pursuant to the approval of the scheme of merger of the Company with its subsidiaries Sify Software Limited and Hermit Projects Private Limited, by the Shareholders at the Honourable High Court of Madras, India, the authorized share capital of the Company was enhanced by an amount of 51,000,000. Hence, our authorized share capital is increased to 1851,000,000, divided into 185,100,000 Equity Shares, having a par value 10 per share. As of March 31, 2014, 178,530,787 Equity Shares were issued, outstanding, of which 125,000,000 Equity Shares were partly paid and the balance fully paid, compared to 178,513,589 Equity Shares as of March 31, 2013.

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The equity shares are our only class of share capital. Some of the share capital, 39,000,135 shares, is represented by American Depository Shares issued by our Company in accordance with applicable laws and regulations. Our Articles of Association and the Indian Companies Act permit us to issue classes of securities in addition to the equity shares. For the purposes of this annual report, “shareholder” means a shareholder who is registered as a member in the register of members of our Company. The term shareholders and ADSs holders have the same meaning in this annual report since the Indian Companies Act only defines a shareholder.

A total of 5.73 million equity shares are reserved for issuance under our Associate Stock Option Plans (ASOPs). As of March 31, 2014, we had outstanding an aggregate of 30,000 options under our ASOP with a weighted average exercise price equal to approximately 98.24 (\$1.63) per equity share. There is no unamortized stock compensation expense relating to these grants as of March 31, 2014.

During the fiscal year ended March 31, 2004, Venture Tech, who had subscribed for the shares of our Company in terms of an Investor Rights Agreement, sold 2,017,641 shares reducing their holding from 15.9% to 10.1% and SAIF sold 4,750,000 shares reducing their holding from 21.6% to 8%.

During the fiscal year ended March 31, 2005, Venture Tech sold an additional 783,326 shares reducing their holding from 10.1% to 7.7% and SAIF sold an additional 800,000 shares reducing their holding from 8% to 5.68%.

At the Extraordinary General Meeting of our shareholders held on December 23, 2005, the shareholders had approved by a Special Resolution the issue and allotment of 4.97 million equity shares of the par value of 10/- per share at such price as may be determined to the public in India as the initial public offer to comply with the statutory requirement of domestic listing of the shares of our Company, as and when announced by the Government of India.

During the fiscal year ended March 31, 2006, Venture Tech sold the remaining 2,750,000 shares of our Company and SAIF sold the remaining 2,008,140 shares of our Company. Satyam Computer Services had divested their entire holding of 11,182,600 shares in the Company to Infinity Capital Ventures, LP through a sponsored ADS programme arranged by us. Further, Infinity Capital, pursuant to the Subscription Agreement dated November 10, 2005 acquired another 6,720,260 shares of the Company in a private transaction. On conclusion of this transaction, the issued and outstanding share capital of our Company was 42,389,514 equity shares, with a par value of 10/- per share.

During the fiscal year ended March 31, 2008, Infinity Satcom Universal Private Limited has entered into a Subscription Agreement for the subscription of 12,817,000 additional equity shares of the Company with par value of 10/- per share at a premium of 165/- per share.

On March 24, 2008, the Company received a sum of ₹ 112.14 million (comprising of ₹ 12.81 towards face value and ₹ 99.33 million towards securities premium / share premium). Subsequently, Infinity Satcom Universal communicated to the Company vide their letter dated August 27, 2008 that consequent to the merger petition of Sify Communications Limited amalgamating with Sify Technologies Limited has been withdrawn from the High Court of Madras, that they would focus their attention on the business of Sify Communication Limited and hence shall not contribute the balance money towards the subscription of 12,817,000 Equity Shares on call. On August 29, 2008, the Board of Directors, forfeited the shares allotted and the application monies collected (₹ 112.14 million including sums towards capital and premium).

Pursuant to a Share Purchase Agreement dated May 31, 2009 between Raju Vegesna and Infinity Satcom Universal Private Limited, a Company owned and controlled by Ananda Raju Vegesna, Executive Director of the Company and brother of Raju Vegesna, CEO & MD of the Company, Raju Vegesna has sold 4,000,000 Equity Shares of ₹ 10/- each of the Company to Infinity Satcom for a consideration of USD 3,000,000 in a private transaction.

In November 2008, the Board of Directors of Sify Technologies Limited and Sify Communications limited decided to merge Sify Communications with Sify Technologies. Based on a petition for the Scheme of Amalgamation filed with the High Court of Madras, India, the Court has approved the Scheme vide its order dated June 26, 2009. Consequent upon the consummation of merger, the Company has taken over the assets and liabilities of Sify Communications (erstwhile subsidiary) and has issued and allotted 10,530,000 Equity Shares of ₹ 10/- each to Infinity Satcom, the only outside shareholder, towards the consideration for the assets and liabilities taken over by the Company.

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement with our promoter group, including an entity affiliated with our Chairman and Managing Director, Mr. Raju Vegesna. These shares carry voting rights proportionate to the amount paid up on these shares. Further company has a lien on these shares till the shares are fully paid up. Also refer note 40 to the Consolidated Financial statements.

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Companies Act, 2013

The Companies Act, 1956, which dealt with the Management and Administration of the Corporates in India for more than five decades, has been replaced with a new Act, viz. Companies Act, 2013, effective April 1, 2014. Of the 470 Sections, the Ministry of Corporate Affairs (MCA), Government of India, has notified 283 Sections till date through various Notifications. Till such time the remaining Sections of the new Act are also notified by the MCA, the relevant provisions of the Companies Act, 1956 will also be in force.

Memorandum and Articles of Association

Set forth below is the material information concerning our share capital and a brief summary of the material provisions of our Articles of Association, Memorandum of Association and the Indian Companies Act, all as currently in effect. The following description of our equity shares and the material provisions of our Articles of Association and Memorandum of Association does not purport to be complete and is qualified in its entirety by our Memorandum of Association and Articles of Association that are incorporated by reference to this Annual Report on Form 20-F.

Objects of Memorandum of Association

The following is a summary of our Objects as set forth in Section 3 of our Memorandum of Association:

1. To develop and provide Internet service, Internet Telephony, Infrastructure based services, Virtual Private Network and other related data, voice and video services, wide area communication network, value added services on the network, lease or other transfers of network, software, peripherals and related products, and to provide marketing services.

2. To provide security products for corporate, carry on the business of consulting, software and hardware, integrated platform(s) for the e-commerce solutions, applications, information technology, security and all other kinds of technology solutions or services, and to acquire, maintain, operate, manage and undertake technology and infrastructure for this purpose.

3. To develop, service & sell/lease data based through direct or electronic media, to develop a wide area communication network of sell / lease the network or provide value added services on the network to develop, service, buy / sell computers, software, peripherals and related products to provide marketing services rising direct as

well as electronic media;

4 To undertake the designing and development of systems and applications software either for its own use or for sale in India or for export outside India and to design and develop such systems and application software for or on behalf of manufacturers, owners and users of computer systems and digital / electronic equipment's in India or elsewhere in the world;

5 To set up and run electronic data processing centres and to carry on the business of data processing, word processing, software consultancy, system studies, management consultancy, techno-economic feasibility studies of projects, design and development of management information systems, share / debenture issues management and / or registration and share/debenture transfer agency;

6 To undertake and execute feasibility studies for Computerization, setting up of all kind of computer systems and digital/electronic equipment's and the selection, acquisition and installation thereof whether for the Company or its customers or other users;

7 To conduct, sponsor or otherwise participate in training programmes, courses, seminar conferences in respect of any of the objects of the Company and for spreading or imparting the knowledge and use of computers and computer programming languages including the publication of books, journals, bulletins, study / course materials, circulars and news-letters; and to undertake the business as agents, stockist, distributors, franchise holders or otherwise for trading or dealing in computer systems, peripherals, accessories, parts and computer consumables, continuous and non-continuous stationery, ribbons and other allied products and things and standard software packages.

8 To conduct e-commerce for sale of all kinds of products and services through direct or electronic media as well as on and off line e-commerce including travel related services, buying and selling of products and services / merchandise, software, data information etc., in India and abroad.

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Our Articles of Association provide that the minimum number of directors shall be 3 and the maximum number of directors shall be 12. Presently, we have 7 directors. Our Articles of Association provide that at least two-thirds of our directors shall be subject to re-election by our shareholders; and, at least one-third of our directors who are subject to re-election shall be up for re-election at each Annual General Meeting of the shareholders.

Our Articles of Association do not require that our directors have to hold shares of our Company in order to serve on our board of directors.

Our Articles of Association provide that any director who has a personal interest in a transaction must disclose such interest, must abstain from voting on such a transaction and may not be counted for the purposes of determining whether a quorum is present at the meeting. Such director's interest in any such transaction shall be reported at the next meeting of shareholders. The remuneration payable to our directors may be fixed by the board of directors in accordance with provisions prescribed by the Government of India. Our Articles of Association provide that our board of directors may generally borrow or secure the payment of any sum of money for our business purposes, provided, however, where any amounts are to be borrowed, that when combined with any already outstanding debt, exceed the aggregate of our paid-up capital and free reserves, we cannot borrow such amounts without the consent of our shareholders.

Board of Directors

In terms of the provisions of the Articles of Association of the Company and the Indian Companies Act, 1956 & 2013:

- (a) no director of the Company can vote on a proposal, arrangement or contract in which he is materially interested;
- (b) the directors of the Company cannot vote on a proposal in the absence of an independent quorum for compensation to themselves or their body;

each of our directors is entitled to receive a sitting fee not exceeding 100,000 for every meeting of the Board of Directors and each meeting of a Committee of the Board of Directors, as well as all traveling and out-of-pocket (c) expenses incurred in attending such meetings; however, effective May 2014, the Company has been paying 50,000 to the directors for each Board Meeting attended by them. However, there is no increase in the sitting fee for the Committee meetings.

- (d)

the directors are empowered to borrow moneys through board meetings up to the prescribed limit and beyond that with the approval of the shareholders through a General Meeting;

(e) retirement of directors are determined by rotation and not based on age limit; and

(f) no director is required to hold any qualification shares.

For additional information, please see “Item 6. Director, Senior Management and Employees – Board Composition,” “-Board Committees” and “-Director Compensation,” and “-Officer Compensation” of this Annual Report on Form 20-F.

Dividends

Under the Indian Companies Act, unless our Board of Directors recommends the payment of a dividend which is then declared by our shareholders in a general meeting. However, the board is not obliged to recommend a dividend. Similarly, under our Articles of Association and the Indian Companies Act, although the shareholders may, at the annual general meeting, approve a dividend by an amount less than that recommended by the Board of Directors, they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a Company’s equity shares. The dividend recommended by the Board of Directors, and thereafter declared by the shareholders in general meeting and subject to the limitations described above, is required to be distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the declaration by the shareholders at the annual general meeting. Pursuant to our Articles, our Board of Directors has the discretion to declare and pay interim dividends without shareholder approval. Under the Indian Companies Act, dividends can only be paid in cash to the registered shareholder, the shareholder's order or the shareholder's banker's order, at a record date fixed on or prior to the date of the Annual General Meeting. We must inform the stock exchanges on which our equity shares and ADSs are listed on the record date for determining the shareholders who are entitled to receive dividends.

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The Indian Companies Act provides that any dividends that remain unpaid or unclaimed after the 30-day period from the date of declaration of a dividend are to be transferred to a special bank account opened by the Company at an approved bank. We have to transfer any dividends that remain unclaimed for seven years from the date of the transfer to an Investor Education and Protection Fund established by the Government of India under the provisions of the Indian Companies Act. Under the Companies Act, 2013, after the transfer to this fund, such unclaimed dividends may be claimed on submission of such documents and in accordance with the procedures as may be prescribed by the Government.

With respect to equity shares issued during a particular fiscal year (including any equity shares underlying ADSs issued to the depository), cash dividends declared and paid for such fiscal year generally will be prorated from the date of issuance to the end of such fiscal year.

Under the Indian Companies Act 1956, dividends may be paid out of profits of a Company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years after providing for depreciation. Before declaring a dividend greater than 10% of the par value of its equity shares, a Company is required under the Indian Companies Act, 1956 to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10% depending upon the dividend percentage to be declared in such year. However, under the Companies Act, 2013, it is not mandatory for the Company to transfer such percentage of its profits to reserves.

The Indian Companies Act, 2013 further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the Company's accumulated profits subject to the fulfillment of the following conditions:

the rate of dividend to be declared may not exceed the average of the rate at which dividends were declared by it in the three years immediately preceding that year provided that this sub-rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial years.

the total amount to be drawn from the accumulated profits shall not exceed one-tenth of the such sum of its paid up capital and free reserves as appearing in the last audited financial statement,

the amount so drawn shall first be utilised to set off the losses incurred in the financial year in which a dividend is declared before any dividend in respect of equity shares is declared.

the balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.

No company shall declare dividends unless carried over previous losses and depreciation not provided in previous year or years are set off against profit of the company of the current year.

Voting Rights

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding (a) not less than one-tenth of the total voting power entitled to vote on a resolution or (b) shares with an aggregate paid up capital of at least 500,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. The Chairperson has a casting vote in the case of any tie.

Any shareholder of the Company entitled to attend and vote at a meeting of the Company may appoint a proxy. The instrument appointing a proxy must be delivered to us at least 48 hours prior to the meeting. Unless the articles of association otherwise provide, a proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll. An authorized representative is also entitled to appoint a proxy.

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Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, specified resolutions such as amendments to our Articles and the Memorandum of Association, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or on a poll) are not less than three times the number of votes, if any, cast against the resolution by members so entitled and voting. As per the Indian Companies Act, unless the articles of association of a Company provide for all directors to retire at every annual general meeting, not less than two-third of the directors of a public Company must retire by rotation, while the remaining one-third may remain on the board until they resign or are removed. Our Articles of Association require two thirds of our Directors to retire by rotation. One-third of the directors who are subject to retirement by rotation must retire at each Annual General Meeting. Further, the Indian Companies Act requires certain resolutions such as those listed below to be voted on only by a postal ballot:

- (a) alteration of the objects clause of the memorandum and in the case of the company in existence immediately before the commencement of the Act, alteration of the main objects of the memorandum;
- (b) alteration of articles of association in relation to insertion or removal of provisions which, under sub-section (68) of section 2, are required to be included in the articles of a company in order to constitute it a private company;
- (c) change in place of registered office outside the local limits of any city, town or village as specified in sub-section (5) of section 12;
- (d) change in objects for which a company has raised money from public through prospectus and still has any unutilized amount out of the money so raised under sub-section (8) of section 13;
- (e) issue of shares with differential rights as to voting or dividend or otherwise under sub-clause (ii) of clause (a) of section 43;
- (f) variation in the rights attached to a class of shares or debentures or other securities as specified under section 48;
- (g) buy-back of shares by a company under sub-section (1) of section 68;
- (h) election of a director under section 151 of the Act;
- (i) sale of the whole or substantially the whole of an undertaking of a company as specified under sub-clause (a) of sub-section (1) of section 180;

(j) giving loans or extending guarantee or providing security in excess of the limit specified under sub-section (3) of section 186.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Indian Companies Act permits us to distribute an amount transferred from the reserve or surplus in our profit and loss account to our shareholders in the form of bonus shares, which are similar to a stock dividend. The Indian Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the Board. Shareholders of record on a fixed record date are entitled to receive such bonus shares.

Consolidation and Subdivision of Shares

The Indian Companies Act permits a Company to split or combine the par value of its shares, provided such split or combination is not made in fractions. Shareholders of record on a fixed record date are entitled to receive the split or combination.

Preemptive Rights and Issue of Additional Shares

The Indian Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholdings unless otherwise determined by a special resolution passed by a General Meeting of the shareholders. Under the Indian Companies Act, in the event of an issuance of securities, subject to the limitations set forth above, a Company must first offer the new shares to the shareholders on a fixed record date. The offer must include: (i) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (ii) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined and thereafter the board of directors is authorized under the Indian Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to the Company.

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Annual General Meetings of Shareholders

We must convene an annual general meeting of shareholders each year within 15 months of the previous annual general meeting or within six months of the end of previous fiscal year, whichever is earlier and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding not less than one-tenth of our paid up capital carrying voting rights. In certain circumstances a three month extension may be granted by the Registrar of Companies to hold the Annual General Meeting. The Annual General Meeting of the shareholders is generally convened by our Company Secretary pursuant to a resolution of the board of directors. In addition, the Board may convene an Extraordinary General Meeting of shareholders when necessary or at the request of a shareholder or shareholders holding not less than one-tenth of our paid up capital carrying voting rights. Written notice setting out the agenda of any meeting must be given at least 21 days prior to the date of the General Meeting to the shareholders of record, excluding the days of mailing and date of the meeting. Shareholders who are registered as shareholders on the date of the General Meeting are entitled to attend or vote at such meeting. The Annual General Meeting of shareholders must be held at our registered office or at such other place within the city in which the registered office is located, and meetings other than the Annual General Meeting may be held at any other place if so determined by the board of directors.

Our Articles provide that a quorum for a general meeting is the presence of at least five shareholders in person.

2014 Annual General Meeting

Our Annual General Meeting for the fiscal year 2014 will be held on July 28, 2014 as decided by the Board of Directors at the registered office of our Company, 2nd Floor, Tidel Park, 4 Rajiv Gandhi Salai, Taramani, Chennai 600 113, India.

At the Annual General Meeting, the shareholders shall approve the following items:

- Adoption of audited financials for the fiscal year ended March 31, 2014 as per Indian GAAP.
- Declaration of Dividend for the year ended March 31, 2014.
- Reappointment of Mr Ananda Raju Vegesna as director.
- Reappointment of ASA & Associates as the statutory auditors.
- Appointment of Dr T H Chowdary as an Independent Director for a term of Five consecutive years from the conclusion of the 2014 Annual General Meeting.
- Appointment of Dr S K Rao as an Independent Director for a term of Five consecutive years from the conclusion of the 2014 Annual General Meeting.

Appointment of Mr C B Mouli as an Independent Director for a term of Five consecutive years from the conclusion of the 2014 Annual General Meeting.

Appointment of Mr C E S Azariah as an Independent Director for a term of Five consecutive years from the conclusion of the 2014 Annual General Meeting.

Limitations on the Rights to Own Securities

The limitations on the rights to own securities of Indian companies, including the rights of non-resident or foreign shareholders to hold securities, are discussed in the section entitled “Ownership Restrictions” below.

Register of Shareholders; Record Dates; Transfer of Shares

We maintain a register of shareholders as required under the Indian Companies Act, 2013. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the annual general meeting. The date on which this period begins is the record date.

To determine which shareholders are entitled to specified shareholder rights such as dividend, we may close the register of shareholders. The Indian Companies Act requires us to give at least seven days’ prior notice to the public before such closure. We may not close the register of shareholders for more than thirty consecutive days, and in no event for more than forty-five days in a year.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public Company are freely transferable, subject only to the provisions of Section 58 of the Indian Companies Act, 2013 and the listing agreement entered into between the Company and relevant stock exchange on which the shares of the Company are listed. Since we are a public Company under Indian law, the provisions of Section 58 will apply to us. Our Articles currently contain provisions that give our directors discretion to refuse to register a transfer of shares in some circumstances. According to our Articles, our directors are required to exercise this right in the best interests of our Company. While our directors are not required to provide a reason for any such refusal in writing, they must give notice of the refusal to the transferee within 30 days after receipt of the application for registration of transfer by our Company. In accordance with the provisions of Section 58 of the Indian Companies Act, our directors may exercise this discretion if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the National Company Law Tribunal.

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Pursuant to Section 58, if a transfer of shares contravenes any of the provisions of the Indian Companies Act and Securities and Exchange Board of India Act, 1992 or the regulations issued there under or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the Tribunal may, on application made by the relevant Company, a depository incorporated in India, an investor, a participant, or the Securities and Exchange Board of India or other parties, direct the rectification of the register, record of members and/or beneficial owners. Pursuant to Section 58, the CLB/Tribunal may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Indian Companies Act, unless the shares of a Company are held in a dematerialized form, a transfer of shares is effected by an instrument of transfer in the form prescribed by the Indian Companies Act and the rules there under together with delivery of the share certificates. Our transfer agent is Citibank, N.A. - Mumbai branch.

Disclosure of Ownership Interest

Section 89 of the Indian Companies Act requires holders on record who do not hold beneficial interests in shares of Indian companies to declare to the Company certain details, including the nature of the holder's interest and details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine which may extend to 50 and where the failure is a continuing one with a further fine which may extend to 1 for every day after the first during which the failure continues.

Audit and Annual Report

Under the Indian Companies Act, a Company must file its annual report with the Registrar of Companies within 7 months from the close of the accounting year or within 30 days from the date of the Annual General Meeting, whichever is earlier. At least 21 days before the annual general meeting of shareholders excluding the days of mailing and receipt, we must distribute to our shareholders a detailed version of our audited balance sheet, profit and loss account and cash flow statement and the related reports of the Board and the auditors, together with a notice convening the annual general meeting. These materials are also generally made available at our corporate website, www.sifycorp.com Under the Indian Companies Act, we must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the annual general meeting with the Registrar of Companies in Tamil Nadu, India, which is the state in which our registered office is located. We must also file an annual return containing a list of our shareholders and other information within 60 days of the conclusion of the meeting.

As per the directive of the Ministry of Corporate Affairs, Government of India, effective fiscal year ended March 31, 2011 onwards, the Company is required to file the audited financials in Extensible Business Reporting Language (XBRL) mode by using XBRL taxonomy.

Company Acquisition of Equity Shares

A Company may, under some circumstances, acquire its own equity shares without seeking the approval of the High Court. However, a Company would have to extinguish the shares it has so acquired within the prescribed time period. Generally, a Company is not permitted to acquire its own shares for treasury operations. An acquisition by a Company of its own shares (without having to obtain the approval of the High Court) must comply with prescribed rules, regulations and conditions as laid down in the Indian Companies Act and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, or Buy-back Regulations.

Any ADS holder may participate in a Company's purchase of its own shares by withdrawing his or her ADSs from the depository facility, acquiring equity shares upon the withdrawal and then selling those shares back to the Company.

There can be no assurance that equity shares offered by an ADS investor in any buyback of shares by us will be accepted by us. The regulatory approvals required for ADS holders to participate in a buyback are not entirely clear. ADS investors are advised to consult their legal advisors for advice prior to participating in any buyback by us, including advice related to any related regulatory approvals and tax issues.

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Liquidation Rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares and taxes, if any, as may be prescribed under the Indian Companies Act, in the event of our winding-up the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on those equity shares. All surplus assets after payments due to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholdings.

Redemption of Equity Shares

Under the Indian Companies Act, equity shares are not redeemable.

Discriminatory Provisions in Articles

There are no provisions in our Articles of Association discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.

Alteration of Shareholder Rights

Under the Indian Companies Act, and subject to the provisions of the articles of association of a Company, the rights of any class of shareholders can be altered or varied (i) with the consent in writing of the holders of not less than three-fourths of the issued shares of that class; or (ii) by special resolution passed at a separate meeting of the holders of the issued shares of that class. In the absence of any such provision in the articles, such alteration or variation is permitted as long as it is not prohibited by the agreement governing the issuance of the shares of that class.

Under the Indian Companies Act, the articles of association may be altered by a special resolution of the shareholders

Provisions on Changes in Capital

Our authorized capital can be altered by an ordinary resolution of the shareholders in a General Meeting. The additional issue of shares is subject to the preemptive rights of the shareholders. In addition, a Company may increase its share capital, consolidate its share capital into shares of larger face value than its existing shares or sub-divide its shares by reducing their par value, subject to an ordinary resolution of the shareholders in a General Meeting.

Material Contracts

See the agreements listed in Item 7, "Major Shareholders and Related Party Transactions" regarding our material contracts involving certain of our officers and directors.

Exchange Controls

General

The subscription, purchase and sale of shares of an Indian Company by Person Resident outside India (non-residents) are governed by various Indian laws regulating the transfer or issue of Securities by the Company to non-residents. These regulations have been progressively relaxed in recent years. Set forth below is a summary of various forms of investment, and the regulations applicable to each, including the requirements under Indian law applicable to the issuance of ADSs.

Foreign Direct Investment

Foreign Direct Investment (FDI) in India is governed by the FDI Policy announced by the Government of India and the provisions of the Foreign Exchange Management Act (FEMA), 1999. Reserve Bank has issued Notification No. FEMA 20 /2000-RB dated May 3, 2000 which contains the Regulations in this regard. This Notification has been amended from time to time. The various amendments are compiled every year in Master Circulars. In terms of Master Circular issued in July 1, 2009, FDI is freely permitted in almost all sectors. Under the FDI Scheme, investments can be made by non-residents in the shares / convertible debentures / preference shares of an Indian Company, through two routes; the Automatic Route and the Government Route. Under the Automatic Route, the foreign investor or the Indian Company does not require any approval from the Reserve Bank or Government of India (RBI) for the investment. Under the Government Route, prior approval of the Government of India, Ministry of Finance, Foreign Investment Promotion Board (FIPB) is required. The details of FDI are contained in the policy and procedures in respect of FDI in India are available in "the Manual on Investing in India - Foreign Direct Investment, Policy & Procedures".

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In terms of Master Circular issued in April 2014, in most manufacturing / service sectors do not require prior approval of the FIPB, or the RBI, if the activity of the investee-Company fulfill the conditions prescribed for Automatic Route. These conditions include certain eligibility norms, pricing requirements, subscription in foreign exchange, compliance with the Takeover Code (as described below), and ownership restrictions based on the nature of the foreign investor (as described below). Purchases by foreign investors of ADSs are treated as direct foreign investment in the equity issued by Indian companies for such offerings. Foreign investment up to 100 % of our share capital is currently permitted in telecom industry.

Subsequent Transfers

Restrictions for subsequent transfers of shares of Indian companies between residents and non-residents were relaxed significantly as of October 2004. As a result, for a transfer between a resident and a non-resident of securities of an Indian Company in the Telecom sector, such as ours, no prior approval of either the RBI or the Government of India is required, as long as the terms and conditions set out in A.P. (DIR Series) Circular No. 16 of October 4, 2004 is complied with. These conditions / procedure include compliance with pricing guidelines, Consent letters from the Transaction Parties, applicability of regulatory requirements such as FDI and the Takeover Code, filing Form FC TRS with Authorized Dealers (authorized bankers) with relevant enclosures and so on.

Transfers of shares or convertible debenture, by way of sale or gift, between two non-residents are not subject to RBI approvals or pricing restrictions, provided the buying non-residents do not have investment in similar business / collaboration / commercial arrangements in India. If the buying non-residents have similar investment / collaboration / commercial arrangements in India, prior Government Approval is required for such transaction.

Issue of shares by Indian companies under ADR / GDR

i) Depository Receipts (DRs) are negotiable securities issued outside India by a Depository bank, on behalf of an Indian Company, which represent the local Rupee denominated equity shares of the Company held as deposit by a Custodian bank in India. DRs are traded on Stock Exchanges in the US, Singapore, Luxembourg, etc. DRs listed and traded in the US markets are known as American Depository Receipts (ADRs) and those listed and traded elsewhere are known as Global Depository Receipts (GDRs). In the Indian context, DRs are treated as Foreign Direct Investment (FDI).

ii) Indian companies can raise foreign currency resources abroad through the issue of ADRs/GDRs, in accordance with the Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Government of India thereunder from time to time.

iii) A Company can issue ADRs / GDRs if it is eligible to issue shares to persons resident outside India (non-resident) under the FDI Scheme. However, an Indian listed Company, which is not eligible to raise funds from the Indian Capital Market including a Company which has been restrained from accessing the securities market by the Securities and Exchange Board of India (SEBI) will not be eligible to issue ADRs/GDRs.

iv) Unlisted companies, which have not yet accessed the ADR/GDR route for raising capital in the international market, would require prior or simultaneous listing in the domestic market, while seeking to issue such overseas instruments. Unlisted companies, which have already issued ADRs/GDRs in the international market, have to list in the domestic market within three years of having started making profit. Further, they are prohibited to issue further ADRs/GDRs till the listing in the domestic market is completed.

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

Takeover Code

Upon conversion of ADSs into equity shares, a holder of ADSs will be subject to the Takeover Code as prescribed by the Securities and Exchange Board of India.

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Reduction of limit for Overseas Direct Investment

In terms of the extant provisions under the Foreign Exchange Management Act, 1999 (FEMA, 1999) on overseas direct investments, the total overseas direct investment (ODI) of an Indian Party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity should not exceed 400 per cent of the net worth of the Indian Party as on the date of the last audited balance sheet under the Automatic Route.

As of September 2013, however, the Ministry of Finance has decided,

To reduce the existing limit of 400 per cent of the net worth of the Indian Party to 100 per cent of its net worth under the Automatic Route (no pre-approval required). Accordingly, AD Category - I banks may allow overseas
a) direct investments under the Automatic Route up to 100 per cent of the net worth of the Indian party, as on the date of the last audited balance sheet;

To reduce the existing limit of 400 per cent of the net worth of the Indian company, investing in the overseas
b) unincorporated entities in the energy and natural resources sectors, under the automatic route, to 100 per cent of the net worth of the Indian company investing in the overseas unincorporated entities in the energy and natural resources sectors, as on the date of last audited balance sheet; and

c) Any ODI in excess of 100% of the net worth shall be considered under the Approval Route by the Reserve Bank of India.

Fungibility of ADSs

A limited two-way fungibility scheme has been put in place by the Government of India for ADRs / GDRs. Under this Scheme, a stock broker in India, registered with SEBI, can purchase shares of an Indian Company from the market for conversion into ADRs/GDRs based on instructions received from overseas investors. Re-issuance of ADRs / GDRs would be permitted to the extent of ADRs / GDRs which have been redeemed into underlying shares and sold in the Indian market.

Currently, there is no public trading market for our equity shares in India or elsewhere nor can we assure you that we will take steps to develop one. Our equity securities are only traded on NASDAQ through the ADSs as described in this report. Under prior Indian laws and regulations, our Depository could not accept deposits of outstanding equity shares and issue ADRs evidencing ADSs representing such equity shares without prior approval of the Government of

India. The Reserve Bank of India has announced fungibility regulations permitting, under limited circumstances, the conversion of ADSs to equity shares and the reconversion of equity shares to ADSs provided that the actual number of ADSs outstanding after such reconversion is not greater than the original number of ADSs outstanding. If you elect to surrender your ADSs and receive equity shares, you will not be able to trade those equity shares on any securities market and, under present law, likely will not be permitted to reconvert those equity shares to ADSs.

If in the future a market for our equity shares is established in India or another market outside of the United States, those shares may trade at a discount or premium to the ADSs. Under current Indian regulations and practice, the approval of the Reserve Bank of India is not required for the sale of equity shares underlying ADSs by a non-resident India to a resident India as well as for renunciation of rights to a resident of India, unless the sale of equity shares underlying the ADSs is through a recognized stock exchange or in connection with the offer made under the regulations regarding takeovers. The shareholders who intend transferring their equity shares shall comply with the procedural requirements set out under the head 'subsequent transfers' above.

Transfer of ADSs and Surrender of ADSs

A person resident outside India may transfer the ADSs held in Indian companies to another person resident outside India without any permission. An ADS holder is permitted to surrender the ADSs held by him in an Indian Company and to receive the underlying equity shares under the terms of the Deposit Agreement. Under Indian regulations, the re-deposit of these equity shares with the Depository for ADSs may not be permitted.

Government of India Approvals

Pursuant to the RBI's regulations relating to sponsored ADS offerings, an issuer in India can sponsor the issue of ADSs through an overseas depository against underlying equity shares accepted from holders of its equity shares in India. The guidelines specify, among other conditions, that:

- the ADSs must be offered at a price determined by the lead manager of such offering;
- all equity holders may participate;

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the issuer must obtain special shareholder approval; and
the proceeds must be repatriated to India within one month of the closure of the issue.

Ownership Restrictions

The Securities and Exchange Board of India and Reserve Bank of India regulate Portfolio Investments in Indian Companies by Foreign Institutional Investors and Non-Resident Indians, both of which we refer to as foreign portfolio investors. The Reserve Bank of India issued a circular in August 1998 stating that foreign institutional investors in aggregate may hold no more than 30% of the equity shares of an Indian Company and non-resident Indians and overseas corporate bodies in aggregate may hold no more than 10% of the shares of an Indian Company through portfolio investments. Under current Indian Law, the aggregate of the investment by the Foreign Institutional Investors can't be more than 24% of the equity share capital of an Indian Company, and the aggregate of the investment by the Non-Resident Indians can't be more than 10% of the equity share capital of an Indian Company through Portfolio Investments. The 24% and 10% limit referred above may be increased to 49% and 24% respectively on passing of a Special Resolution by the Shareholders to that effect. Moreover, no single Foreign Institutional Investor may hold more than 10% of the shares of an Indian Company and no single Non-Resident Indian may hold more than 5% of the shares of an Indian Company.

Foreign institutional investors are urged to consult with their Indian legal and tax advisers about the relationship between the foreign institutional investor regulations and the ADSs and any equity shares withdrawn upon surrender of ADSs.

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, Every purchaser who acquires (directly or indirectly) more than 5% of the equity share capital at any point of time (the aggregate of the existing shares and the newly acquired shares) of a Listed Public Indian Company, is required to notify the Company within four days of such acquisition or receipt of allotment information and the Company in turn is required to notify all the stock exchanges on which the shares of the Company are listed with seven days.

Any purchaser whose proposed acquisition entitled him to hold 15% (the aggregate of the existing shares and the newly acquired shares) or more of such shares or a change in control of the Company, either by himself or with others acting in concert is required to make annual disclosures of the purchaser's holdings in the Company and to make an Open Offer to the other Shareholders offering to purchase at least 20% of all the outstanding shares of the Company at a minimum offer price as determined pursuant to the provisions of the regulations. A purchaser who holds between 15% and 75% of a Company's shares cannot acquire additional shares or voting rights that would entitle the purchaser to exercise an additional 5% of the voting rights in any 12 month period unless such purchaser makes a public announcement offering to acquire an additional 20% of the Company's shares. Upon conversion of ADSs into equity shares, an ADS holder will be subject to the Takeover Code. The Takeover Code does not apply to purchases

involving the acquisition of shares (i) by allotment in a public and rights issue, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of customers, (iv) in unlisted companies, (v) pursuant to a scheme of reconstruction or amalgamation or (vi) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Takeover Code does not apply to purchases in the ordinary course of business by public financial institutions either on their own account or as a pledgee. In addition, the Takeover Code does not apply to the purchase of ADSs so long as they are not converted into equity shares. However, since we are an unlisted Company, the provisions of the new regulations will not apply to us. If our shares are listed on an Indian stock exchange in the future, the new regulations will apply to the holders of our ADSs.

Open market purchases of securities of Indian companies in India by foreign direct investors or investments by non-resident Indians and foreign institutional investors above the ownership levels set forth above require Government of India approval on a case-by-case basis.

Voting Rights of Deposited Equity Shares Represented by ADSs

Holders of ADSs generally have the right under the deposit agreement to instruct the depository bank to exercise the voting rights for the equity shares represented by the related ADSs. At our request, the depository bank will mail to the holders of ADSs any notice of shareholders' meeting received from us together with information explaining how to instruct the depository bank to exercise the voting rights of the securities represented by ADSs.

If the depository bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities represented by the holder's ADSs in accordance with such voting instructions. In the event that voting takes place by a show of hands, the depository bank will cause the custodian to vote all deposited securities in accordance with the instructions received by holders of a majority of the ADSs for which the depository bank receives voting instructions.

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Please note that the ability of the depository bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that ADS holders will receive voting materials in time to enable them to return voting instructions to the depository bank in a timely manner. Securities for which no voting instructions have been received will not be voted except as discussed above.

As a foreign private issuer, we are not subject to the SEC's proxy rules, which regulate the form and content of solicitations by United States-based issuers of proxies from their shareholders. To date, our practice has been to provide advance notice to our ADS holders of all shareholder meetings and to solicit their vote on such matters, through the depository, and we expect to continue this practice. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the SEC's proxy rules.

Under Indian law, the ADS holders have the right to vote on any general meetings either by show of hands or by poll only on becoming the Shareholder of the Company by converting the ADS into equity shares of the Company.

Taxation

Indian Taxation

General. The following relates to the principal Indian tax consequences for holders of ADSs and equity shares received upon withdrawal of such equity shares who are not resident in India, whether of Indian origin or not. We refer to these persons as non-resident holders. The following summary is based on the law and practices of the Income-tax Act, 1961, or Income-tax Act including the special tax regime contained in Sections 115AC and 115ACA of the Income-tax Act read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 or the Scheme, as amended. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income-tax Act

This section is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders under Indian law for the acquisition, ownership and sale of ADSs and equity shares. Personal tax consequences of an investment may vary for non-resident holders in various circumstances, and potential investors should therefore consult their own tax advisers on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under the law of the jurisdiction of their residence and any tax treaty between India and their country of residence.

Residence.

For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for a period or periods amounting to at least 182 days; or at least 60 days and, within the four preceding years has been in India for a period or periods amounting to at least 365 days.

The period of 60 days referred to above shall be read as 182 days (i) in case of a citizen of India who leaves India in a previous year for the purposes of employment outside of India or (ii) in the case of a citizen of India or a person of Indian origin living abroad who visits India or (iii) a member of crew of Indian ship.

Taxation of Distributions. The Finance Act, 2003 has inserted with effect from April 1, 2003, dividend income from domestic Company will be exempt from tax in the hands of shareholders as the domestic companies will be liable to pay a dividend distribution tax at the rate of 16.995 % inclusive of applicable surcharge and education cess. The Finance Act, 2008 introduced Section 115 O (1A) effective April 1, 2008 under which a domestic Company, subject to certain conditions, can set off the dividend income received from its subsidiary from the amount of dividend income declared by it to its shareholders and would therefore be liable to dividend distribution tax only on the balance dividend after such set-off. Any distributions of additional ADSs or equity shares to resident or non-resident holders will not be subject to Indian tax. Similarly, the acquisition by a non-resident holder of equity shares upon redemption of ADSs will not constitute a taxable event for Indian income tax purposes as it is not regarded as transfer under sec 47(xa) of the Indian Income tax laws . Such acquisition will, however, give rise to a stamp duty as described below under “Stamp Duty and Transfer Tax.”

Minimum Alternate Tax. The Indian Government had introduced Section 115JA to the Income Tax Act which came into effect in April 1, 1997, to bring certain zero tax companies under the ambit of a Minimum Alternative Tax, or MAT. If the taxable income of a Company computed under this Act, in respect of a previous year was less than 30% of its book profits, the total income of such Company chargeable to tax for the relevant previous year shall be deemed to be an amount equal to 30% of such book profits. Effective April 1, 2001, Finance Act, 2000 introduced Section 115JB, pursuant to which the income of companies eligible for tax holiday under sections 10A or 10AA of the Act was exempted from MAT. The amount of income to which any of the provisions of section 10A or section 10AA apply, was reduced from the book profit for the purposes of calculation of income tax payable under the aforesaid section. The Finance Act, 2007 included income eligible for deductions under sections 10A and 10B of the Act in the computation of book profits for the levy of MAT. The rate of MAT for domestic companies, effective April 1, 2007, was 11.33% (inclusive of applicable surcharge and education cess) and levied on its book profits. The Income tax Act provides that the MAT paid by the companies can be adjusted against its tax liability under the normal provisions of the Indian Income tax laws but limited to the extent that is over and above the tax computed under MAT provisions over the next seven years which is being increased to 10 years by the Finance (No 2) Act 2009. The Finance Act (No 2) 2009 has increased the rate of MAT to 16.995%(inclusive of applicable surcharge and education cess) and increased the number of years to 10 years to carry forward the MAT credit. The rate was increased to 20.96% by the Finance Act 2013.

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Taxation of Capital Gains. Any gain realized on the sale of ADSs by a non-resident holder to any non-resident outside India is not subject to Indian capital gains tax as it is not regarded as transfer by virtue of section 47(via) of Indian Income tax laws which is prerequisite for taxing as capital gains.

Since our ADS offerings were approved by the Government of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, non-resident holders of the ADSs have the benefit of tax concessions available under Section 115AC. As a result, gains realized on the sale of ADSs will not be subject to Indian taxation. The effect of the Scheme in the context of Section 115AC is unclear as to whether such tax treatment is available to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon surrender of the ADSs. If concessional tax treatment is not available, gains realized on the sale of such equity shares will be subject to customary Indian taxation on capital gains as discussed below. The Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme provides that if the equity shares are sold on a recognized stock exchange in India against payment in Indian rupees, they will no longer be eligible for such concessional tax treatment.

Subject to any relief provided pursuant to an applicable tax treaty, any gain realized on the sale of equity shares to an Indian resident or inside India generally will be subject to Indian capital gains tax. However, the acquisition by non-resident holders of equity shares in exchange for ADSs will not be subject to Indian capital gains tax. When the sale of equity shares is liable to capital gain tax the cost of acquisition for computing the tax is taken as the original cost of acquisition of the ADSs by virtue of the section 49(2A) of the Indian Income tax laws. Therefore, the original cost of acquisition of the ADSs may be treated as the cost of acquisition for the purposes of determining the capital gains tax. According to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, a non-resident holder's holding period for purposes of determining the applicable Indian capital gains tax rate in respect of equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the depository to the custodian. The India-U.S. Treaty does not provide an exemption from the imposition of Indian capital gains tax.

Under Section 115AC, taxable gain realized in respect of equity shares held for more than 12 months, or long-term gain, is subject to tax at the rate of 10.30%. Taxable gain realized in respect of equity shares held for 12 months or less, or short-term gain, is subject to tax at variable rates with a maximum rate of 41.20%. The actual rate of tax on short-term gain depends on a number of factors, including the country of residence of the non-resident holder and the type of income chargeable in India.

Withholding Tax on Capital Gains. Any taxable gain realized by a non-resident on the sale of ADSs or equity shares is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income Tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to Foreign Institutional Investors as defined in Section 115AD of the Income Tax Act on the transfer of securities defined in Section 115AD of the Income Tax Act.

Buy-back of Securities. Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders will be taxed on any resulting gains. We would be required to deduct tax at source according to the capital gains tax liability of a non-resident shareholder

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of 0.1% of the aggregate value of the shares issued, provided that the issue of dematerialized shares is not subject to Indian stamp duty. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares from the depository in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the redemption date. Similarly upon a sale of shares in physical form, stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date is payable, although customarily such duty is borne by the purchaser. Our equity shares, if and when issued and traded in dematerialized form, are not subject to Indian stamp duty.

Wealth Tax. The holding of the ADSs in the hands of non-resident holders and the holding of the underlying equity shares by the depository as a fiduciary will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisers in this context.

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Gift Tax and Estate Duty. Indian gift tax was abolished in October 1998. In India, there is no estate duty law. As a result, no estate duty would be applicable in India. Non-resident holders are advised to consult their own tax advisors in this context. However, gift receipt by non-relatives or firms or closely held companies would be taxed as income in the hands of the recipient under the Income tax Act. Yet, gifts between non-residents (being transfers outside India) would not get taxed in India.

Service Tax. Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares is subject to a service tax of 12.36%. The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority

Income Tax Matters

The statutory corporate income tax rate and the surcharge thereon are subject to change in line with the changes announced in the Union Budget each year. For fiscal year 2014, the corporate income tax rate is 30%, subject to a surcharge of 10% where the taxable total income exceeds 10 crores (5% of the taxable total income is less than 10 crores but exceeds 1 crore) and education cess of 2 % and 1% secondary and higher education cess, resulting in an effective tax rate of 33.99% (or 32.445%). We cannot assure you that the current income tax rate will remain unchanged in the future. We also cannot assure you that the surcharge will be in effect for a limited period of time or that additional surcharges will not be levied by the Government of India. Until April 1, 2002, dividends declared, distributed or paid by an Indian corporation were subject to a dividend tax of 10.2%, including the applicable surcharge for fiscal 2002, of the total amount of the dividend declared, distributed or paid. This tax is not paid by shareholders nor is it a withholding requirement, but rather it is a direct tax payable by the corporation before distribution of a dividend. Effective April 1, 2002, Indian companies were no longer to be taxed on declared dividends. The Finance Act, 2003 proposed that after April 1, 2003, dividend income will be exempt from tax for shareholders and those domestic companies will be liable to pay a dividend distribution tax at the rate of 12.5% plus a surcharge and education cess at the time of the distribution. The Finance Act 2013 has increased the rate of dividend distribution tax to 15% plus applicable surcharge and education cess resulting in an effective rate of 16.995%.

Material United States Federal Tax Consequences

The following is a summary of certain material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs and is for general information only. This summary addresses the U.S. federal income tax considerations of holders that are U.S. holders. U.S. holders are beneficial holders of equity shares or ADSs who are citizens or residents of the U.S., or corporations (or other entities treated as corporations for U.S. federal tax purposes) created in or under the laws of the U.S. or any political subdivision thereof or therein, estates, the income of which is subject to U.S. federal income taxation regardless of its source, and trusts (a) for which a U.S. court exercises primary supervision and a U.S. person has the authority to

control all substantial decisions or (b) that was in existence on August 20, 1996 and has a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person. This summary is limited to U.S. holders who will hold equity shares or ADSs as capital assets for U.S. federal income tax purposes (generally, assets held for investment). In addition, this summary is limited to U.S. holders who are not resident in India for purposes of the Convention between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the 'Treaty'. If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, holds the equity shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding equity shares or ADSs should consult his, her or its own tax advisor.

This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, financial institutions, dealers in securities or currencies, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a 'straddle' or as part of a 'hedging' or 'conversion' transaction for tax purposes, persons that have a 'functional currency' other than the U.S. dollar or holders of 10% or more, by voting power or value, of the shares of our Company. This summary is based on the tax laws of the United States as in effect on the date of this Annual Report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Annual Report, as well as judicial and administrative interpretations thereof available on or before such date, and is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below. We have not requested and will not request a ruling from the Internal Revenue Service (the 'IRS') with respect to any of the U.S. federal income tax consequences as described above, and as a result there can be no assurance that the IRS will not disagree with or challenge any conclusions we have reached and described herein.

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EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs

Ownership of ADSs. For U.S. federal income tax purposes, holders of ADSs will be treated as the holders of equity shares represented by such ADSs

Dividends. Subject to the discussion of the passive foreign investment company rules below, the gross amount of any distributions of cash or property with respect to ADSs or equity shares (before reduction for any Indian withholding taxes) generally will be included in income by a U.S. holder as foreign source dividend income at the time of receipt, which in the case of a U.S. holder of ADSs generally should be the date of receipt by the Depository, to the extent such distributions are made from the current or accumulated earnings and profits (as determined under U.S. federal income tax principles), of our Company. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. To the extent, if any, that the amount of any distribution by our Company exceeds our Company's current and accumulated earnings and profits (as determined under U.S. federal income tax principles) such excess will be treated first as a tax-free return of capital to the extent of the U.S. holder's tax basis in the equity shares or ADSs, and thereafter as capital gain.

Subject to certain limitations, including certain limitations based on taxable income and filing status, and subject to certain minimum holding period requirements, dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a 'qualified foreign corporation' for U.S. federal income tax purposes. A qualified foreign corporation includes a foreign corporation if (1) its shares (or, according to legislative history, its ADSs) are readily tradable on an established securities market in the U.S. or (2) it is eligible for the benefits under a comprehensive income tax treaty with the U.S.. In addition, a corporation is not a qualified foreign corporation if it is a passive foreign investment company (as discussed below). The ADSs are traded on the NASDAQ Global Market. Due to the absence of specific statutory provisions addressing ADSs, however, there can be no assurance that we are a qualified foreign corporation solely as a result of our listing on NASDAQ Global Market. Nonetheless, we may be eligible for benefits under the Treaty. Each U.S. holder should consult its own tax advisor regarding the treatment of dividends and such holder's eligibility for a reduced rate of taxation.

U.S. holders that are eligible for the benefits under the Treaty, may be able to claim a reduced rate of Indian withholding tax. U.S. holders should consult their own tax advisor with respect to the eligibility for reduction of Indian withholding tax. U.S. holders may claim a deduction or a foreign tax credit, subject to other applicable limitations, only for tax withheld at the appropriate tax rate. U.S. holders should not be allowed to a foreign tax credit for withholding tax for any portion of the tax that could have been avoided by claiming benefits under the Treaty. The rules governing the foreign tax credits are complex and involve the application of rules that depend on the particular circumstances of each U.S. holder. Therefore, each U.S. holder should consult his, her or its own tax advisor with respect to the availability of the foreign tax credit rules applicable to such U.S. holder's particular circumstances.

If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss, if any, resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as U.S. source ordinary income or loss.

Sale or Exchange of Equity shares or ADSs. Subject to the discussion of the passive foreign investment company rules below, a U.S. holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis, determined in U.S. dollars, in the equity shares or ADSs. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs were held for more than one year. Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes. Therefore, U.S. holders may not be able to use any foreign tax credit arising from any Indian tax imposed on the sale or exchange of equity shares or ADSs unless the credit can be applied (subject to applicable limitations) against tax due on other foreign source income. The deductibility of capital losses may be subject to limitation.

U.S. holders who receive any foreign currency on the sale or exchange of equity shares or ADSs may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale or exchange of the equity shares or ADSs and the date the sale proceeds are converted into U.S. dollars.

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Passive Foreign Investment Company. A non-U.S. corporation will be classified as a passive foreign investment company for U.S. federal income tax purposes if either:

- 75% or more of its gross income for the taxable year is passive income; or

• on a quarterly average for the taxable year by value (or, if it is not a publicly traded corporation and so elects, by adjusted basis) 50% or more of its assets produce or are held for the production of passive income.

For the purposes of this test, such non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

We do not believe that we satisfy either of the tests for passive foreign investment company status. Since this determination is made on an annual basis, however, no assurance can be given that we will not be considered a passive foreign investment company in future taxable years. If we were to be a passive foreign investment company for any taxable year, U.S. holders would be required to either:

pay an interest charge together with tax calculated at maximum ordinary income rates on “excess distributions” (as that term is defined in relevant provisions of the U.S. tax laws), and on any gain on a sale or other disposition of equity shares or ADSs;

• if a “qualified electing fund” election is made (as that term is defined in relevant provisions of the U.S. tax laws), include in their taxable income their pro rata share of undistributed amounts of our income; or

if the equity shares are “marketable” (as that term is defined in relevant provisions of the U.S. tax laws), and a mark-to-market election is made, mark-to-market the equity shares each taxable year and recognize ordinary gain and, to the extent of prior ordinary gain, ordinary loss for the increase or decrease in market value for such taxable year.

If a U.S. holder holds equity shares or ADSs in any year in which we are a passive foreign investment company, that U.S. holder will be required to file IRS Form 8621 (or similar such form) regarding distributions received on equity shares or ADSs and any gain realized on the disposition of equity shares or ADSs.

Backup Withholding Tax and Information Reporting Requirements. Dividends paid, if any, on equity shares of ADSs to a U.S. holder who is not an “exempt recipient,” may be subject to information reporting and, unless a U.S. holder

either furnishes its taxpayer identification number or otherwise establishes an exemption, may also be subject to U.S. backup withholding tax. In addition, information reporting will apply to payments of proceeds from the sale, exchange, redemption or other disposition of equity shares or ADSs by a paying agent, including a broker, within the U.S. to a U.S. holder, other than an “exempt recipient.” An “exempt recipient” includes a corporation. In addition, a paying agent within the U.S. will be required to backup withhold 28% of any payments of the proceeds from the sale or redemption of equity shares or ADSs within the U.S. to a holder, other than an “exempt recipient,” if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with such backup withholding requirements. Backup withholding is not an additional tax and may be refunded (or credited against the U.S. holder’s U.S. federal income tax liability, if any), provided that certain required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required.

Certain U.S. holders who are individuals may be required to report information relating to their ownership of an interest in certain foreign financial assets, including stock of a non-U.S. person, generally on IRS Form 8938, subject to exceptions (including an exception for stock held through a U.S. financial institution). U.S. holders should consult their tax advisors regarding their reporting obligations with respect to our equity shares or ADSs.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to ownership of equity shares or ADSs. U.S. holders should consult their own tax advisor concerning the tax consequences to them under U.S. federal State, local and applicable foreign tax laws of the acquisition, ownership and disposition of equity shares or ADSs.

Documents on Display

This report and other information filed or to be filed by us can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials can also be obtained from the Public Reference Section of the SEC, 100 F Street, NE., Washington, DC 20549, at prescribed rates. Additionally, all of our publicly filed SEC reports are available at the SEC’s website, www.sec.gov, which contains all the public filings and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

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Additionally, documents referred to in this Annual Report may be inspected at our corporate offices which are located at Tidel Park, No, 4, Rajiv Gandhi Salai, Taramani, Chennai, 600 113 India.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

General

Market risk is the risk of loss of future earnings, to fair values or to 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 currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments, foreign currency receivables, payables and debt. Our exposure to market risk is a function of our investment and borrowing activities and our revenue generating activities in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss.

Risk Management Procedures

We manage market risk through a corporate treasury department, which evaluates and exercises independent control over the entire process of market risk management. Our corporate treasury department recommends risk management objectives and policies which are approved by senior management and our Audit Committee. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, and ensuring compliance with market risk limits and policies on a daily basis.

Refer to note 38 of the notes to consolidated financial statements to this Annual Report for further analysis and exposure arising out of credit risk, liquidity risk and currency risk.

Item 12. Description of Securities Other Than Equity Securities

Item 12(d). American Depositary Shares

Citibank, N.A. (the “Depository”) serves as the depository for our ADSs, pursuant to that certain Deposit Agreement by and between the Company and the Depository, dated as October 18, 1999, as amended from time to time. ADS holders are required to pay various fees to the Depository and the Depository may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. For purposes of this section, “Shares” means the Company’s equity shares.

The fees and charges payable by holders of our ADSs include the following:

- (i) a fee not in excess of US \$5.00 per 100 ADSs is charged for each issuance of ADS upon deposit of Shares, excluding certain issuances described below;
- (ii) a fee not in excess of US \$5.00 per 100 ADSs is charged for each surrender of ADSs, property and cash in exchange for the underlying deposited securities;
- (iii) a fee not in excess of US \$2.00 per 100 ADSs for each distribution of cash dividend or other cash distribution pursuant to the deposit agreement;
- (iv) a fee not in excess of US \$2.00 per 100 ADSs for the distribution of ADSs pursuant to stock dividends or other free distributions or an exercise of rights; and
- (v) a fee not in excess of \$5.00 per 100 ADSs for depository services.

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Additionally, under the terms of our deposit agreement, the depositary is entitled to charge each registered holder, beneficial owner, persons depositing Shares and person surrendering ADS for cancellation and for the purpose of withdrawing deposited securities the following:

- (i) taxes (including applicable interest and penalties) and other governmental charges;

- (ii) such registration fees as may from time to time be in effect for the registration of shares or other deposited securities on the share register and applicable to transfers of shares or other deposited securities to or from the name of the custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

- (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing shares or holders and beneficial owners of ADSs;

- (iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

- (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares, deposited securities, ADSs and ADRs; and

- (vi) the fees and expenses incurred by the Depositary in connection with the delivery of deposited securities.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Company may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

Direct and Indirect Payments by the Depositary to Sify

Pursuant to the Deposit Agreement with Citibank N.A, we received the following payments from Citibank during the fiscal year ended March 31, 2014 in connection with our ADS Program:

Fee	Amount in \$USD
Financial Audit Fees	\$ 72,599.89
Legal Counsel Fees	\$ 46,389.28
Investor Relations	\$ 63,310.12
Internet , telephone and mail charges	\$ 296.68
Printing/mailing/processing	\$ 58,625.66
Text Conversion charges & others	\$ 900.00
Total amount reimbursed	\$ 242,121.63

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

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Item 15. Controls and procedures

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 20-F, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has carried out an evaluation of the effectiveness of our disclosure controls and procedures. The term “disclosure controls and procedures” means controls and other procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well conceived and operated, can only provide reasonable assurance that the objectives of the disclosure controls and procedures are met.

Based on their evaluation as of March 31, 2014, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that material information related to us and our consolidated subsidiaries is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure

Management’s annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Our internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets.

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2014. In conducting its assessment of internal control over financial reporting, management based its evaluation on the 2) framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management has concluded that our internal control over financial reporting was effective as of March 31, 2014.

Our independent registered public accounting firm, ASA & Associates LLP, has audited the consolidated financial 3) statements included in this Annual Report on Form 20-F, and as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting as of March 31, 2014.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Sify Technologies Limited

We have audited Sify Technologies Limited's ("the Company") internal control over financial reporting as of March 31, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control 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. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal 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 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of the Company as of March 31, 2014 and March 31, 2013 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2014 and our report dated July 18, 2014 expressed an unqualified opinion on those consolidated financial statements.

ASA & Associates LLP

Independent Registered Public Accounting Firm

Chennai, India

July 18, 2014

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Changes in internal control over financial reporting

During the period covered by this Annual Report, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16A. Audit Committee financial expert

Mr. C. B. Mouli, a member of our audit committee, has been deemed “independent” per the applicable SEC and NASDAQ rules. The Board of Directors has determined that Mr Mouli is the “audit committee financial expert” as defined by the applicable rules of the SEC.

Item 16 B. Code of Ethics

The Company has adopted a Code of Conduct and Conflict of Interest Policy that is applicable to all employees. The text of the policy was filed as an Exhibit under Item 19 to the Annual Report for the year ended March 31, 2005. This policy is available on our corporate website www.sifycorp.com.

We have also adopted a written Code of Ethics, as defined in Item 406 of Regulation S-K, applicable to our principal executive officer, principal financial officer, principal accounting officer and all officers working in our finance, accounting, treasury, tax, legal, purchase, investor relations functions, disclosure committee members, and senior management, as well as members of the audit committee and the board of directors. This policy is available in our www.sifycorp.com. We will post any amendments to, or waivers from, our Code of Ethics at that location on our website.

Our Audit Committee has also adopted a Whistleblower Policy wherein it has established procedures for receiving, retaining and treating complaints received, and procedures for the confidential, anonymous submission by employees of complaints regarding questionable accounting or auditing matters, conduct which results in a violation of law by Sify or in a substantial mismanagement of Company resources. Under this policy, our employees are encouraged to report questionable accounting matters, any reporting of fraudulent financial information to our shareholders, the government or the financial markets any conduct that results in a violation of law by Sify to our management (on an anonymous basis, if employees so desire). Under this policy, we have prohibited discrimination, retaliation or harassment of any kind against any employee who, based on the employee's reasonable belief that such conduct or

practices have occurred or are occurring, reports that information or participates in an investigation.

We have also adopted a Code of Conduct, applicable to all officers, directors and employees. The Code of Conduct is available on our website, www.sifycorp.com.

Item 16C. Principal Accountant Fees and Services

The following table sets forth for the fiscal years indicated the fees paid to our principal accountant and its associated entities for various services provided us in these periods.

Type of Service	Fiscal year ended	
	march 31, 2014	march 31, 2013
(a) Audit Fees	4.50 million	3.00 million
(b) Audit Related Fees	Nil	Nil
(c) Tax Fees	Nil	Nil
(d) All Other Fees	Nil	Nil

Our Audit Committee requires pre-approval of all audit and permissible non-audit services to be performed for the Company by its independent auditors, subject to the de-minims exception for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange act of 1934.

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Item 16D. Exemptions from the Listing Standards for Audit Committees

We have not sought any exemption from the listing standards for audit committees applicable to us as foreign private issuer, pursuant to Rule 10(A)-3(d) of the Securities Exchange Act of 1934.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F : Change in Registrant's Certifying Accountant

None.

Item 16 G. Corporate Governance

NASDAQ Marketplace Rule 5615(a) (3) provides that a foreign private issuer may follow its home country practice in lieu of the requirements of Rule 5600 series, provided such foreign private issuer shall disclose in its annual reports filed with SEC or on its website each requirement that it does not follow and describe the home country practice followed by the issuer in lieu of such requirements.

Under the NASDAQ Marketplace Rule 5620 (c), companies, other than limited partnerships, that maintain a listing on NASDAQ are required to provide for a quorum as specified in its by-laws for any meeting of its stockholders, and in no case shall the quorum be less than 33-1/3% of the outstanding shares of a Company's common voting stock. In India, the requirement for a quorum is the presence of at least five shareholders in person. Our Articles of Association provide that a quorum for a General Meeting of our shareholders is constituted by the presence of at least five shareholders in person. Hence, we do not meet the quorum requirements under Rule 5620 (c), and instead we follow our home country practice. Under the NASDAQ Marketplace Rule 5620 (b), companies, other than limited partnerships, that maintain a listing on NASDAQ are required to solicit proxies and provide proxy statements for all meetings of shareholders and also provide copies of such proxy solicitation to NASDAQ. However, the SEC proxy rules are not applicable to us, since we are a foreign private issuer, and Section 176 of the Indian Companies Act prohibits a Company incorporated under that Act from soliciting proxies. Because we are prohibited from soliciting

proxies under Indian law, we will not meet the proxy solicitation requirement of Rule 5620 (b). However, as described above, we give written notices of all our shareholder meetings to all the shareholders and we also file such notices with the SEC. With regard to issuance of securities, we also comply with the home country regulations.

Item 16 H. Mine safety disclosure

Not Applicable

PART III

Item 17. Financial Statements

See Item No 18

Item 18. Financial Statements

Consolidated Statements and other Financial Information

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Sify Technologies Limited

We have audited the accompanying consolidated statement of financial position of Sify Technologies Limited and its subsidiaries ('the Company') as of March 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements, based on our audit.

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

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sify Technologies Limited and its subsidiaries as of March 31, 2014 and 2013 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2014, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sify Technologies Limited's internal control over financial reporting as of March 31, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 18, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

ASA & Associates LLP
Independent Registered Public Accounting Firm
Chennai, India
July 18, 2014

Table of Contents**Sify Technologies Limited****Consolidated Statement of Financial Position**

(In thousands of Rupees, except share data and as otherwise stated)

		As at March 31,		As at March 31,
	Note	2014	2013	2014
				Convenience translation into US\$ thousands (Unaudited) Note 2(c)
Assets				
Property, plant and equipment	5	5,603,130	5,069,678	93,230
Intangible assets	6	559,436	600,622	9,308
Lease prepayments	9	835,635	355,347	13,904
Other assets	10	603,940	591,784	10,049
Other investments	15	1,710	1,710	28
Deferred tax assets	11	-	-	-
Total non-current assets		7,603,851	6,619,141	126,519
Inventories	12	200,829	186,666	3,342
Trade and other receivables, net	13	4,875,533	3,795,567	81,124
Prepayments for current assets	14	164,023	196,982	2,730
Restricted cash	8	210,223	151,198	3,498
Cash and cash equivalents	8	1,059,904	849,854	17,636
Total current assets		6,510,512	5,180,267	108,330
Non-current assets held for sale		-	-	-
Total assets		14,114,363	11,799,408	234,849
Equity				
Share capital	16	1,423,125	1,329,203	23,679
Share premium		18,474,481	18,267,148	307,397
Share based payment reserve		224,196	224,276	3,730
Other components of equity		54,070	29,414	900
Accumulated deficit		(13,220,219)	(13,538,619)	(219,971)
Total equity attributable to equity holders of the Company		6,955,653	6,311,422	115,735

Table of Contents**Sify Technologies Limited****Consolidated Statement of Financial Position**

(In thousands of Rupees, except share data and as otherwise stated)

		As at March 31,		As at March 31,
	Note	2014	2013	2014
				Convenience translation into US\$ thousands (Unaudited) Note 2(c)
Liabilities				
Finance lease obligations, other than current installments	17	701,164	315,906	11,667
Borrowings	20	586,558	471,369	9,760
Employee benefits	18	38,635	52,229	643
Other liabilities	19	432,051	223,434	7,189
Total non-current liabilities		1,758,408	1,062,938	29,259
Finance lease obligations, current installments				
Borrowings	20	846,511	657,311	14,085
Bank overdraft	8	637,347	644,606	10,605
Trade and other payables	21	2,895,978	2,444,823	48,186
Deferred income	22	667,778	522,212	11,111
Total current liabilities		5,400,302	4,425,048	89,855
Total liabilities		7,158,710	5,487,986	119,114
Total equity and liabilities		14,114,363	11,799,408	234,849

The accompanying notes form an integral part of these consolidated financial statements

Table of Contents**Sify Technologies Limited****Consolidated Statement of Income**

(In thousands of Rupees, except share data and as otherwise stated)

	Note	Year ended March 31,			Year ended
		2014	2013	2012	March 31, 2014 Convenience translation into US\$ thousands (Unaudited) Note2(c)
Revenue					
- Rendering of services		9,966,404	8,119,297	6,809,663	165,831
- Sale of products		493,825	451,019	889,286	8,217
Total	23	10,460,229	8,570,316	7,698,949	174,048
Cost of goods sold and services rendered					
- Rendering of services		(5,643,940)	(4,960,795)	(4,304,536)	(93,909)
- Sale of products		(492,920)	(380,115)	(819,554)	(8,202)
Total	25	(6,136,860)	(5,340,910)	(5,124,090)	(102,111)
Other income	26	93,461	50,858	37,377	1,555
Selling, general and administrative expenses	27	(2,739,813)	(2,451,474)	(2,083,892)	(45,588)
Depreciation and amortization	5 & 6	(1,101,243)	(848,210)	(691,560)	(18,323)
Impairment loss on intangibles including goodwill	6	-	-	-	-
Profit / (loss) from operating activities		575,774	(19,420)	(163,216)	9,581
Finance income	30	120,248	73,853	59,313	2,001
Finance expenses	30	(377,622)	(260,441)	(306,732)	(6,284)
Net finance income / (expense)	30	(257,374)	(186,588)	(247,419)	(4,283)
Profit from sale of equity accounted investee and rights therein	7	-	657,577		-
Share of profit of equity accounted investee	7		-	27,298	-
Profit / (loss) before tax		318,400	451,569	(383,337)	5,298
Income tax (expense) / benefit	11	-	-	-	-
Profit / (loss) for the year		318,400	451,569	(383,337)	5,298
Attributable to:					
Equity holders of the Company		318,400	451,569	(383,337)	5,298
Non-controlling interest		-	-	-	-
		318,400	451,569	(383,337)	5,298
Earnings / (loss) per share	31				
Basic earnings /(loss) per share		2.33	3.43	(3.71)	0.04
Diluted earnings/(loss) per share		2.33	3.43	(3.71)	0.04

The accompanying notes form an integral part of these consolidated financial statements

Table of Contents**Sify Technologies Limited****Consolidated Statement of Comprehensive Income**

(In thousands of Rupees, except share data and as otherwise stated)

		Year ended March 31,			2014
	Note	2014	2013	2012	Convenience translation into US\$ thousands Note 2(c) (Unaudited)
Profit / (loss) for the year		318,400	451,569	(383,337)	5,298
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement of defined benefit plans		23,806	5,835	9,372	396
Items that will be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		850	544	3,006	14
Share of gains and (losses) from equity accounted investees (net of taxes)		-	254	3,038	-
Other comprehensive income for the year, net of income tax		24,656	6,633	15,416	409
Total comprehensive income for the year	16	343,056	458,202	(367,921)	5,708
Attributable to:					
Equity holders of the Company		343,056	458,202	(367,921)	5,708
Non-controlling interest		-	-	-	-
Total comprehensive income/(expense) for the year		343,056	458,202	(367,921)	5,708

The accompanying notes form an integral part of these consolidated financial statements

Table of Contents**Sify Technologies Limited****Consolidated Statement of Changes in Equity**

(In thousands of Rupees, except share data and as otherwise stated)

For year ended March 31, 2014

Particulars	Share capital	Share premium	Share based payment reserve	Other components of equity	Retained earnings / (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at April 1, 2013	1,329,203	18,267,148	224,276	29,414	(13,538,619)	6,311,422	-	6,311,422
Total comprehensive income for the year	-	-	-	24,656	318,400	343,056	-	343,056
Transactions with owners, recorded directly in equity								
Issue of share capital	93,922	207,208	-	-	-	301,130	-	301,130
Share-based payment transactions	-	125	(80)	-	-	45	-	45
Balance at March 31, 2014	1,423,125	18,474,481	224,196	54,070	(13,220,219)	6,955,653	-	6,955,653

For year ended March 31, 2013

Particulars	Share capital	Share premium	Share based payment reserve	Other components of equity	Retained earnings / (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at April 1, 2012	1,329,203	18,267,148	221,710	22,781	(13,990,188)	5,850,654	-	5,850,654
Total comprehensive income for the year	-	-	-	6,633	451,569	458,202	-	458,202
Transactions with owners, recorded								

directly in equity								
Issue of share capital	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	2,566	-	-	2,566	-	2,566
Balance at March 31, 2013	1,329,203	18,267,148	224,276	29,414	(13,538,619)	6,311,422	-	6,311,422

Table of Contents**Sify Technologies Limited****Consolidated Statement of Changes in Equity**

(In thousands of Rupees, except share data and as otherwise stated)

For year ended March 31, 2012

Particulars	Share capital	Share premium	Share based payment reserve	Other components of equity	Retained earnings / (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at April 1, 2011	858,832	17,216,121	190,325	7,365	(13,606,851)	4,665,792	-	4,665,792
Total comprehensive income for the year	-	-	-	15,416	(383,337)	(367,921)	-	(367,921)
Transactions with owners, recorded directly in equity								
Issue of share capital	470,371	1,051,027	-	-	-	1,521,398	-	1,521,398
Share-based payment transactions	-	-	31,385	-	-	31,385	-	31,385
Balance at March 31, 2012	1,329,203	18,267,148	221,710	22,781	(13,990,188)	5,850,654	-	5,850,654

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents**Sify Technologies Limited****Consolidated Statements of Cash Flows****For the fiscal years ended March 31,**

(In thousands of Rupees, except share data and as otherwise stated)

	Year ended March 31,			2014 Convenience translation into US\$ thousands (Unaudited) Note 2(c)
	2014	2013	2012	
Profit/(loss) for the year	318,400	451,569	(383,337)	5,298
Adjustments for:				
Depreciation and amortization	1,101,243	848,210	691,560	18,323
Customs duty credit entitlement written off	26,391	-	-	439
Share of profit of equity accounted investee	-	-	(27,298)	-
Profit on sale of equity accounted investee	-	(657,577)	-	-
(Gain) / loss on sale of property, plant and equipment	(1,115)	13,036	(680)	(19)
Provision for doubtful receivables	208,993	210,873	95,405	3,477
Stock compensation expense	45	2,566	31,385	1
Net finance (income) / expense	257,374	186,588	247,419	4,282
Write down in value of inventory to NRV	-	38,241	-	-
Unrealized (gain)/ loss on account of exchange differences	8,433	9,825	17,644	140
Amortization of leasehold prepayments	14,276	8,754	6,308	238
Cash flow from operating activities before working capital changes	1,934,040	1,112,085	678,406	32,179
Change in trade and other receivables	(1,347,378)	(599,906)	(105,449)	(22,419)
Change in inventories	(14,163)	(204,648)	(4,622)	(236)
Change in other assets	(490,856)	100,317	(326,006)	(8,167)
Change in trade and other payables	677,501	8,079	472,443	11,273
Change in employee benefits	10,212	7,998	11,650	171
Change in deferred income	145,566	138,419	(4,533)	2,422
Cash generated from operations	914,922	562,344	721,889	15,223
Income taxes (paid)/ refund received	53,519	(98,937)	(121,675)	891
Net cash from / (used in) operating activities	968,441	463,407	600,214	16,114

Table of Contents**Sify Technologies Limited****Consolidated Statements of Cash Flows****For the fiscal years ended March 31,**

(In thousands of Rupees, except share and per share data and as otherwise stated)

	Year ended March 31,			2014 Convenience translation into US\$ thousands (Unaudited) Note 2(c)
	2014	2013	2012	
Cash flows from / (used in) investing activities				
Acquisition of property, plant and equipment	(890,594)	(1,626,375)	(840,653)	(14,819)
Expenditure on intangible assets	(38,918)	(34,595)	(111,081)	(648)
Proceeds from sale of property, plant and equipment	5,833	2,499	1,029	97
Proceeds from sale of share in associate and rights therein	-	1,390,270	-	-
Payment towards purchase of unquoted equity shares	-	-	-	-
Finance income received	116,995	57,003	48,734	1,947
Short term investments (net)	-	(1,550)	-	-
Net cash from / (used in) investing activities	(806,684)	(212,748)	(901,971)	(13,422)
Cash flows from / (used in) financing activities				
Proceeds from issue of share capital (including share premium)	300,000	-	1,500,000	4,992
Proceeds from issue of shares on exercise of ASOP (including share premium)	1,131	-	21,398	19
Proceeds from / (repayment) of borrowings (net)	297,009	385,613	(600,588)	4,942
Finance expenses paid	(373,137)	(265,150)	(312,927)	(6,210)
Proceeds from / (repayment of) finance lease liabilities	(110,004)	(109,231)	(71,476)	(1,830)
Net cash from / (used in) financing activities	114,999	11,232	536,407	1,914
Net increase / (decrease) in cash and cash equivalents	276,756	261,891	234,650	4,605
Cash and cash equivalents at April 1	356,446	94,588	(135,804)	5,931
Effect of exchange fluctuations on cash held	(422)	(33)	(4,258)	(7)
Cash and cash equivalents at March 31	632,780	356,446	94,588	10,529

Refer note 3 (c) and note 8 for the composition of cash and cash equivalents.

Supplementary information

Additions to property, plant and equipment represented by finance lease obligations	691,855	404,307	60,149	11,512
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The accompanying notes form an integral part of these consolidated financial statements

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SIFY TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Rupees, except share data and as stated otherwise)

1. Reporting entity

Sify Technologies Limited, ('Sify' or 'the Company') formerly known as Sify Limited and Satyam Infoway Private Limited, is a leading internet services provider headquartered in Chennai, India. These Consolidated Financial Statements comprise the Company and its subsidiaries Sify Technologies (Singapore) Pte. Limited and Pace Info Com Park Private Limited) (together referred to as the 'Group' and individually as 'Group entities'). The subsidiaries, Sift Software Limited and Hermit Projects Private Limited were merged with the Company during the year. The Group is primarily involved in providing services Network and IT services. Sify is listed on the NASDAQ Global Select Market in the United States.

2. Basis of preparation

a. Statement of compliance

The accompanying Consolidated Financial Statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB).

These Consolidated Financial Statements have been approved for issue by the Board of Directors on July 18, 2014.

b. Basis of measurement

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- Available for sale financial assets are measured at fair value
- Non-current asset held for sale measured at lower of carrying value and fair value less costs to sell.
- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.

The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

In relation to lease prepayments, the initial fair value of the security deposit is estimated as the present value of the refundable amount, discounted using the market interest rates for similar instruments. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment.

The above items have been measured at fair value and the methods used to measure fair values are discussed further in Note 4.

c. Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Indian rupee is the functional currency of Sify, its domestic subsidiaries and affiliates. The U.S. dollar is the functional currency of Sify’s foreign subsidiary located in Singapore.

The Consolidated Financial Statements are presented in Indian Rupees which is the Group’s presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest thousand except where otherwise indicated.

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Convenience translation (unaudited): Solely for the convenience of the reader, the financial statements as of and for the year ended March 31, 2014 have been translated into United States dollars (neither the presentation currency nor the functional currency of the Group) based on the reference rate in the City of Mumbai on March 31, 2014, for cable transfers in Indian rupees as published by the Reserve Bank of India which was 60.10 per \$1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollar at such a rate or at any other rate on March 31, 2014 or at any other date.

d. Use of estimates

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

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

- Measurement of the recoverable amounts of cash-generating units containing goodwill (Note 6)
 - Useful lives of property, plant and equipment (Note 3 e and Note 5)
 - Useful lives of intangible assets (Note 3 f and Note 6)
 - Lease classification (Note 3 h, 9, 17 and 32)
 - Utilization of tax losses (Note 11)
 - Measurement of defined employee benefit obligations (Note 18)
 - Measurement of share-based payments (Note 29 and Note 36)
 - Valuation of financial instruments (Note 3 c, 4, 37 and 38)
 - Provisions and contingencies (Note 3 n and 34)
- Determination of percentage completion in construction contracts (Note 3 j)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

a. Basis of consolidation

The financial statements of the Group companies are consolidated on a line-by-line basis. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. These financial statements are prepared by applying uniform accounting policies in use at the Group.

(i)

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power directly/indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(ii) Associates (equity accounted investees)

Associates are those entities where the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. The investment would be classified as 'held for sale' when the carrying amount of the investment will be recovered through a sale transaction rather than through its continued use and such sale is highly probable. Such investments are measured at the lower of its carrying amount and fair value less cost to sell. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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b. Foreign currency

(i) Foreign currency transactions

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

(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.

c. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. However if the instrument is recognized as at fair value through profit or loss then any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Non-derivative financial assets

a) Available-for-sale financial assets

Available-for-sale (AFS) financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss in accordance with IAS 39.

Investments in equity and certain debt securities are initially recognized at fair value and classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in other comprehensive income. When an investment is de-recognized, the cumulative gain or loss in equity is transferred to profit or loss. These are presented as current assets unless the management intends to dispose of the assets after 12 months from the balance sheet date.

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b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are initially measured at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss. Loans and receivables are represented by trade receivables, unbilled revenue, cash and cash equivalents. Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

c) Others

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities to the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Offsetting of Financial assets and Financial Liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

(ii) Derivative financial instruments

Foreign exchange forward contracts and options are entered into by the Group to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. The group also enters into cross currency interest rate swaps for hedging the risk against

variability in cash flows of its term loan.

These derivative contracts do not qualify for hedge accounting under IAS 39, and 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. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

d. 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.

e. Property, plant and equipment

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within “other income / other expenses” in statement of income.

(i) Subsequent costs

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

(ii) Depreciation

Depreciation is recognized in the consolidated statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Management’s estimated useful lives for the years ended March 31, 2014, 2013 and 2012 were as follows:

	Estimate of useful life in years
Buildings	28
Plant and machinery comprising computers, servers etc.	3 – 5
Plant and machinery comprising other items	8
Furniture and fittings	5
Office equipment	5
Motor vehicles	3 – 5

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

(i) Business combinations

Business combinations are accounted for using IFRS 3 (Revised), Business Combinations. IFRS 3 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 IFRS 3(Revised). The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

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

The acquisition of an asset or a group of assets that does not constitute a 'business' as per IFRS 3 is accounted for by identifying and recognizing the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to such individual identifiable assets and liabilities on the basis of their relative fair values on the date of purchase.

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(ii) Goodwill

Goodwill represents the cost of a business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), the Group reassesses the identification and measurement of identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of acquisition, and recognizes any remaining excess in profit or loss immediately on acquisition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

g. Other intangible assets

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

(i) 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.

(ii) 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, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and previous year are as follows:

	Estimate of useful life in years
Software	Not exceeding 3 years
Technical know-how	5 years
License fees	20 years
Bandwidth Capacity	12 years
Portals and web development cost	5 years
Customer related intangibles	5 years

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

h. Leases

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

Assets taken on finance lease:

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

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Assets taken on operating lease:

Other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Assets given on finance lease:

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

Deposits provided to lessors:

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

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

Indefeasible Right of Use (IRU)

The Company has entered into IRU arrangements which entitle the company to right of use of specified bandwidth capacity for a specified period of time. Such right is being treated as operating lease since the risks and rewards are not transferred to the Company. Hence, the upfront payments made towards right of use of bandwidth capacities under such agreements have been treated as prepayments and is amortized over the term of the contract.

i. 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 selling expenses.

j. **Construction contracts in progress**

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

Construction contract in progress is presented as part of trade and other receivable in statement of financial position for all contracts in which costs incurred plus recognized profit exceed progress billings. If progress billings exceeds cost incurred plus recognized profits, then the difference is presented as deferred income / revenue in the statement of financial position.

k. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired and impairment losses are recognized, if objective evidence indicates that one or more events such as a loss event, the significant financial difficulty of the issuer, a breach of contract, the disappearance of an active market, which have had a negative effect on the estimated future cash flows of that asset. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Available-for-sale financial assets

Significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. The cumulative loss that was recognized in the equity is transferred to the consolidated income statement upon impairment. Such impairment loss is recognized in the consolidated income statement.

Loans and receivables

Impairment loss in respect of loans and receivables measured at amortized cost are calculated as the difference between their carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognized in the consolidated income statement.

Reversal of impairment loss

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income and presented within equity.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at December 31.

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”).

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Corporate assets for the purpose of impairment testing are allocated to the cash generating units on a reasonable and consistent basis.

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

Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

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1. Employee benefits

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

(a) Defined contribution plan (Provident fund)

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

(b) Defined benefit plans (Gratuity)

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

The Group recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income and presented within equity. The Company has an employees' gratuity fund managed by the Life Insurance Corporation of India (LIC).

(c) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or

profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(d) Compensated leave of absence

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

m. Share-based payment transactions

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

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Provisions

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

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

o.

Revenue

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

Revenue from services rendered is recognized in the consolidated income statement in proportion to the stage of completion of the transaction at the reporting date.

Revenue Recognition

Various streams of revenue are described below:

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

revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

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

- o the amount of revenue can be measured reliably;
- o it is probable that the economic benefits will flow to the seller;
- o the stage of completion at the balance sheet date can be measured reliably; and
- o the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

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

(i) Telecom Services

Revenue from Telecom services include Data network services and Voice services. Telecom services primarily include revenue from connectivity services, NLD/ILD services and to a lesser extent, revenues from the installation of connectivity links. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work.

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

Data Centre Services:

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

Cloud and Managed Services:

Revenue from Cloud and managed services include revenue from "Cloud and storage solutions, managed services, value added services and International managed services. Revenues from Cloud and on demand compute and storage, are primarily fixed for a period of time. Revenues from domestic and international managed services, comprise of value added services, operations and maintenance of projects and from remote infrastructure management. Contracts from this segment are fixed and could also be based on time and material.

Technology Integration Services:

Revenue from Technology Integration Services include system integration Services , revenue from construction of Data Centres , network services, security solutions, digital certificate based authentication services and to a lesser extent, revenue from hardware and software.

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

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

Applications Integration Services:

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

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click throughs / leads delivered. Revenues from commissions earned on electronic commerce transactions are recognised when the transactions are completed.

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

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Income from operating leases:

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

Indefeasible Right of Use (IRU)

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

(iii) Deferred income

Deferred income represents unserviced portion of billed contracts.

p. Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss . Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises interest expense on loans and borrowings, bank charges, unwinding of the discount on provision, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss that are recognized in statement of income.

q. Borrowing costs

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

r.

Income taxes

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

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

s. Earnings / (loss) per share

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

t. **Recent accounting pronouncements**

(i) IFRS 9 Financial Instruments: In November 2009, the International Accounting Standards Board issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39. The effective date for IFRS 9 is annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9, was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity's own debt. It requires the entity, which chooses to

measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. The company is required to adopt IFRS 9 by accounting year commencing April 1, 2015.

Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities: In December 2011, the International Accounting Standards Board issued amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities. The amendments clarify that an entity has a legally enforceable right to set-off if that right is not contingent on future event and enforceable both in the normal course of business and in the event of default, (ii) insolvency or bankruptcy of the entity and all counterparties. The amendments also clarified that gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The company is required to adopt the amendment by accounting year commencing April 1, 2014 and currently evaluating impact on the consolidated financial statements.

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IFRS 15 Revenue from Contracts with Customers: During May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the (iii) consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The effective date of application would be January 1, 2017.

(iv) **Narrow scope amendments to IAS 16 and IAS 38: Clarification of Acceptable methods of Depreciation and Amortization:**

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The effective date of the amendment is July 1, 2014.

The company is currently evaluating the requirements of above pronouncements and has not yet determined the impact on the consolidated financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair 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) **Property, plant and equipment**

The fair value of property, plant and equipment recognized as a result of a business combination is an estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approach using quoted market prices for similar items when available and replacements costs when appropriate.

(ii)

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii)

Intangible assets

The fair value of intangible assets acquired in the business combinations is based on discounted cash flows expected to be derived from the use and eventual sale of assets (terminal value).

(iv)

Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted price at the reporting date. When the fair value of the financial asset cannot be measured reliably, it is measured at cost.

(v)

Trade and other receivables

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

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(vi)

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 Group entity and the counter party when appropriate. The fair value of the cross currency swaps (principal only swaps) is determined based on the discounting of the future cash flows at the market rates existing on the reporting date.

(vii)

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.

(viii)

Share-based payment transactions

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

Table of Contents**5. Property, plant and equipment**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2014

Particulars	Cost			Accumulated depreciation				Carrying amount as at March 31, 2014	
	As at April 01, 2013	Additions	Disposals	As at March 31, 2014	As at April 1, 2013	Depreciation for the year	Deletions		As at March 31, 2014
Building	777,419	1,214,084	-	1,991,503	260,421	69,499	-	329,920	1,661,583
Plant and machinery	6,113,788	1,894,902	661,881	7,346,809	4,379,345	837,056	719,785	4,496,616	2,850,193
Computer equipments	689,245	49,421	62,430	676,236	561,267	48,127	-	609,394	66,842
Office equipment	240,449	8,987	6,020	243,416	171,180	17,618	6,018	182,780	60,636
Furniture and fittings	745,058	33,081	116,558	661,581	622,930	47,870	116,421	554,379	107,202
Vehicles	2,456	-	-	2,456	1,326	969	-	2,295	161
Total	8,568,415	3,200,475	846,889	10,922,001	5,996,469	1,021,139	842,224	6,175,384	4,746,617
Add:									
Construction in progress									856,513
Total	8,568,415	3,200,475	846,889	10,922,001	5,996,469	1,021,139	842,224	6,175,384	5,603,130

The following table presents the changes in property, plant and equipment during the year ended March 31, 2013

Particulars	Cost			Accumulated depreciation				Carrying amount as at March 31, 2013	
	As at April 01, 2012	Additions	Disposals	As at March 31, 2013	As at April 1, 2012	Depreciation for the year	Deletions		As at March 31, 2013
Building	777,419	-	-	777,419	232,667	27,754	-	260,421	516,998
Plant and machinery	5,731,924	415,512	33,648	6,113,788	3,788,648	608,832	18,135	4,379,345	1,734,443
Computer equipments	629,605	59,926	286	689,245	510,001	51,552	286	561,267	127,978
Office equipment	237,347	3,297	195	240,449	150,983	20,387	190	171,180	69,269
Furniture and fittings	739,994	5,209	145	745,058	563,931	59,126	127	622,930	122,128

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Vehicles	4,747	-	2,291	2,456	2,647	970	2,291	1,326	1,130
Total	8,121,036	483,944	36,565	8,568,415	5,248,877	768,621	21,029	5,996,469	2,571,946
Add:									
Construction in progress									2,497,732
Total	8,121,036	483,944	36,565	8,568,415	5,248,877	768,621	21,029	5,996,469	5,069,678

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The following table presents the changes in property, plant and equipment during the year ended March 31, 2012

Particulars	Cost			Accumulated depreciation				Carrying amount as at March 31, 2012	
	As at April 01, 2011	Additions	Disposals	As at March 31, 2012	As at April 1, 2011	Depreciation for the year	Deletions		As at March 31, 2012
Building	777,419	-	-	777,419	204,826	27,841	-	232,667	544,752
Plant and machinery	5,433,359	350,204	51,639	5,731,924	3,335,610	504,532	51,494	3,788,648	1,943,276
Computer equipments	563,776	66,303	474	629,605	478,705	31,711	415	510,001	119,604
Office equipment	234,125	3,304	82	237,347	129,932	21,133	82	150,983	86,364
Furniture and fittings	713,359	27,985	1,350	739,994	503,102	62,034	1,205	563,931	176,063
Vehicles	2,929	2,907	1,089	4,747	2,929	807	1,089	2,647	2,100
Total	7,724,967	450,703	54,634	8,121,036	4,655,104	648,058	54,285	5,248,877	2,872,159
Add: Construction in progress									988,128
Total	7,724,967	450,703	54,634	8,121,036	4,655,104	648,058	54,285	5,248,877	3,860,287

Leased assets

The Group's leased assets include certain buildings, plant and machinery acquired under finance leases. As at March 31, 2014 the net carrying amount of buildings, plant and machinery and vehicles acquired under finance leases is 213,974 (March 31, 2013: 224,291), 809,335 (March 31, 2013: 233,193) and 161 (March 31, 2013: 1,130) respectively. During the year, the Group acquired leased assets of 691,855 (March 31, 2013: 404,307).

In case prepayments are made towards buildings accounted for as finance leases, such prepayments are capitalized as 'Leasehold Buildings' (included in buildings) on the commencement of the lease term under the head 'Property, plant and equipment' and depreciated in accordance with the depreciation policy for similar owned assets.

Capital Commitments

As of March 31, 2014 and March 31, 2013, the Company was committed to spend approximately 1,326,435 and 412,698 respectively, under agreements to purchase property, plant and equipment.

Construction in progress

Amounts paid towards acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment that are not ready to be put into use are disclosed under construction-in-progress. As of March 31, 2014, Construction work in progress includes 1,483 (March 31, 2013 : 808,785) paid towards acquisition of building under construction on a leasehold land belonging to Pace Info Com Park Private Limited by way of acquisition of the entire shareholding of its holding company M/s Hermit Projects Private Limited. Also refer note 36.

Capitalisation of expenses

The Company has capitalized expenses amounting to 3,103 (March 31, 2013: 8,300) which are directly attributable to the construction of building.

Security

As at March 31, 2014 property, plant and equipment with a carrying amount of 3,723,146 (March 31, 2013: 2,113,301) are subject to a registered charge to secure bank borrowings.

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6. Intangible assets

Intangible assets comprise the following:

	March 31, 2014	March 31, 2013	March 31, 2012
Goodwill	14,595	14,595	14,595
Other intangible assets	544,841	586,027	91,132
	559,436	600,622	105,727

(i) Goodwill

The following table presents the changes in goodwill during the years ended March 31, 2014 and 2013

	March 31, 2014	March 31, 2013
Balance at the beginning of the year	14,595	14,595
Effect of movement in exchange rates	-	-
Impairment loss recognized during the year	-	-
Net carrying amount of goodwill	14,595	14,595

The amount of goodwill as at March 31, 2014 and March 31, 2013 has been allocated to the Applications Integration Services segment.

(ii) Other intangibles

The following table presents the changes in intangible assets during the years ended March 31, 2014, 2013 and 2012.

	Technical know-how	Bandwidth Capacity	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at March 31, 2011	82,753	-	200,570	394,080	50,000	727,403
Acquisitions during the year	-	-	-	44,603	-	44,603
Disposals during the year	-	-	-	-	-	-
Balance as at March 31, 2012	82,753	-	200,570	438,683	50,000	772,006
Acquisitions during the year	-	553,302	-	21,182	-	574,484

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Disposals during the year	-	-	-	-	-	-
Balance as at March 31, 2013	82,753	553,302	200,570	459,865	50,000	1,346,490
Acquisitions during the year	-	-	-	38,918	-	38,918
Disposals during the year	-	-	-	-	-	-
Balance as at March 31, 2014	82,753	553,302	200,570	498,783	50,000	1,385,408

(B) Amortization

Balance as at March 31, 2011	82,753	-	200,570	343,143	10,906	637,372
Amortization for the year	-	-	-	41,002	2,500	43,502
Impairment loss on intangibles	-	-	-	-	-	-
Balance as at March 31, 2012	82,753	-	200,570	384,145	13,406	680,874
Amortization for the year	-	46,090	-	30,999	2,500	79,589
Impairment loss on intangibles	-	-	-	-	-	-
Balance as at March 31, 2013	82,753	46,090	200,570	415,144	15,906	760,463
Amortization for the year	-	46,090	-	31,514	2,500	80,104
Impairment loss on intangibles	-	-	-	-	-	-
Balance as at March 31, 2014	82,753	92,180	200,570	446,658	18,406	840,567

(C) Carrying amounts

As at March 31, 2012	-	-	-	54,538	36,594	91,132
As at March 31, 2013	-	507,212	-	44,719	34,094	586,027
As at March 31, 2014	-	461,122	-	52,125	31,594	544,841

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The Company had not committed to spend any amount under agreements to purchase intangible assets during the year ending March 31, 2014 and 2013.

Capitalized borrowing costs

The Company had not capitalized any interest cost during years ended March 31, 2014 and 2013. It had capitalized interest cost of 13,541 for the year ended March 31, 2012. The rate of capitalization of interest cost for the year ended March 31, 2012 was approximately 13.79% respectively.

7. Investment in equity accounted investees

In March 2006, MF Global Overseas Limited (MFG), a group incorporated in United Kingdom acquired 70.15% of equity share capital of MF Global Sify Securities Private Limited (MF Global), formerly Man Financial-Sify Securities India Private Limited ('MF Global) from Refco Group Inc., USA ('Refco'). As at March 31, 2012, 29.85% of MF Global equity shares is held by the Company. The remaining 70.15% is owned by MFG, an unrelated third party. MFG is a subsidiary of MF Global Limited, Bermuda. A summary of key financial information of MF Global and its subsidiaries which is not adjusted for the percentage ownership held by the Group is presented below:

Balance sheet	March 31, 2012
Total assets	3,506,913
Total liabilities	1,052,325
Shareholders' equity	2,454,588
Total Liabilities and shareholders' equity	3,506,913

Statement of operations	For the year ended	
	March 31, 2012	March 31, 2011
Revenues	1,169,577	1,818,283
Net profit	92,622	241,840

During October 2010, Sify Technologies Ltd, the minority shareholder of MF Global holding 29.85 percent of the outstanding shares of the MF Global, requested MF Global's Board of Directors to reconsider certain costs charged to the MF Global by MF Global Holdings Ltd and its affiliated and associated group companies, who hold 70.15 percent of the outstanding shares of the MF Global. These charges are currently recorded in the financial statements of the MF Global for the year ended March 31, 2008 aggregating to 43,478,911 and March 31, 2009 aggregating to 15,

374,528. The resolution of this matter between the shareholders of MF Global remains uncertain and any financial adjustment that may arise is not presently known and accordingly no adjustment related to this matter has been provided for in MF Global's consolidated financial statements. Any financial adjustment that may arise for resolution of the said matter would be expected to be handled prospectively and therefore would be reported in the period in which it is resolved. Consequently, no adjustment related to the said matter was considered by Sify for equity method of accounting for MF Global. The auditors of MF Global have included an emphasis of matter with an explanatory paragraph in their audit report issued on the consolidated financial statements of MF Global for the three years ended March 31, 2012 in connection with such recorded cross charges. The effect of such recorded cross charge is not material to the financial statements of Sify.

On October 31, 2011, MF Global Holding Limited, USA, sought bankruptcy protection through a chapter 11 filing in the U.S. Bankruptcy Court in New York. Consequent to this, MFG also filed for bankruptcy proceedings in the United Kingdom and 3 individual administrators were appointed as Joint administrators (the "Joint administrators") for MFG which holds the shares in the Joint Venture Company.

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The Company was informed by the Joint Administrators that they were in the process of seeking bids for the stakes held by MFG in the Joint Venture Company. The Company believes that the auction process is in violation of the share holders' agreement entered between MFG and the Company.

Hence, the Company filed a petition under section 9 of the Arbitration and Conciliation Act 1996 in Bombay High Court, seeking interim relief by restraining the Joint Administrators and MFG from proceeding with the proposed auction in respect of the sale of shares held by MFG in the Joint Venture Company in violation of share holders agreement dated November 25, 2005. A hearing on the petition was held on December 16, 2011. The Hon'ble High Court granted an ad-interim injunction restraining MFG Overseas Limited through its Joint Administrators from disposing off its shares in MF Global in violation of the Shareholder Agreement. The petition was adjourned for further proceedings. In parallel, the Company without prejudice to its legal rights under the petition was in discussion with the Joint Administrators of MFG for an early amicable settlement in this regard.

On March 23, 2012, the Board of Directors of the Company, approved to realize the value of the investment by sale to prospective buyers.

On March 27, 2012, the Company entered into an agreement relating to the sale and purchase of shares in MF Global Sify Securities India Private Limited by and among Sify, MF Global Sify Securities Pvt Ltd., MF Global Overseas Limited, the joint administrators of MF Global Overseas and entities affiliated with the Phillip Capital Group, whereby the Company agreed to sell its entire 29.85% interest in MF Global to Phillip Capital Group.

The consummation of the transaction was subject to certain closing conditions, including regulatory and statutory approvals from the Government of India and the stock exchanges in India.

Additionally, in connection with the execution of the Agreement, on March 27, 2012, the Company, MF Global Sify Securities Private Limited, MF Global Overseas Limited and the Joint Administrators entered into a settlement and release agreement pursuant to which the Company and MF Global Overseas Limited agreed to settle, effective upon the closing of the transactions contemplated by the Agreement, their pending dispute in the Bombay High Court, India regarding certain matters, including the termination of shareholders agreement governing their respective interests in MF Global.

Hence, effective March 23, 2012, the above investment was classified as held for sale and measured accordingly as per IFRS 5. The above investment does not form part of any of the operating segments of the Company.

Subsequently, on August 2, 2012, in pursuance of the Agreement dated March 27, 2012 and after obtaining all the statutory and regulatory approvals, the Company completed the sale of its entire stake and the rights therein in MF Global for a cash consideration of 1,390,270 (USD 25 million) to Phillip Capital Group, Singapore and MF Global Management Employees Trust, India. Consequently, with effect from such date, MF Global ceased to be an associate of the Company. Further, as per the settlement and release agreement, the Company has initiated steps to withdraw the arbitration proceedings filed against MFG and others in the Bombay High Court, India and any other existing disputes also stand resolved. Consequently, no financial adjustments would arise in the future in the Consolidated financial statements of the Company on account of disputes relating to cross charges.

8. Cash and cash equivalents

Cash and cash equivalents as per consolidated statement of financial position, as at March 31, 2014 amounted to 1,059,904 (March 31, 2013: 849,854). This excludes cash-restricted of 210,223 (March 31, 2013: 151,198), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

(a) Restricted cash

	March 31, 2014	March 31, 2013	March 31, 2012
Current			
Bank deposits held under lien against borrowings / guarantees from banks / Government authorities	210,223	151,198	150,533
Total restricted cash	210,223	151,198	150,533

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(b) Non restricted cash

Current

Cash and bank balances	1,059,904	849,854	742,235
Total cash (a+b)	1,270,127	1,001,052	892,768
Bank overdraft used for cash management purposes	(637,347)	(644,606)	(798,180)
Less: Non - current restricted cash	-	-	-
Cash and cash equivalents for the statement of cash flows	632,780	356,446	94,588

9. Lease prepayments

	March 31, 2014	March 31, 2013
Towards land and buildings*	835,635	355,347
	835,635	355,347

* Includes 787,664 and (March 2013: 302,509) paid for acquiring leasehold rights of land for construction of Data Centers. Also refer note 36.

The prepayment towards land is amortized over the period of the lease on a straight line basis. In respect of buildings under operating lease, prepayments are amortized over the lease term on a straight line basis.

10. Other assets

	March 31, 2014	March 31, 2013
Non current		
Other deposits and receivables (see note below)	603,940	591,784
	603,940	591,784
Financial assets included in other assets	226,607	254,724

11. 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

Recognized deferred tax assets / (liabilities)	Assets / (liabilities)
	March 31, 2013

	March 31, 2014		
Deferred tax assets			
Tax loss carry forwards	139,960	2,083	
	139,960	2,083	
Deferred tax liabilities			
Property, plant and equipment	(64,181)	(1,604))
Intangible assets	(75,779)	(479))
Investment in equity accounted investees	-	-	
	(139,960)	(2,083))
Net deferred tax asset recognized in balance sheet	-	-	

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

Movement in temporary differences during the year

	Balance as at April 1, 2012	Recognized in income statement	Recognized in Equity	Balance as at March 31, 2013	Recognized in income statement	Recognized in Equity	Balance as at March 31, 2014
Property, plant and equipment	(1,060)	(544)	-	(1,604)	(62,577)	-	(64,181)
Intangible assets	(327)	(152)	-	(479)	(75,300)	-	(75,779)
Tax loss carry forwards	97,409	(95,326)	-	2,083	137,877	-	139,960
Investment in equity accounted investees	(96,022)	96,022	-	-	-	-	-
	-	-	-	-	-	-	-

Unrecognized deferred tax assets / (liabilities)

	As at March 31, 2014	As at March 31, 2013
Deductible temporary differences	290,295	322,073
Unrecognized tax losses	3,981,506	3,891,541
	4,271,801	4,213,614

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognized in respect of tax losses carried forward by the Group. The above tax losses expire at various dates until 2025.

Deferred tax liabilities as at March 31, 2014 and March 31, 2013 have not been recognized on undistributed profits of its subsidiaries since the group expects to realize the same in a tax free manner.

Sec.79 of the Indian Income Tax Act denies carry forward of losses incurred in earlier years in case of change in the beneficial interest in the shares outstanding by more than 51%. As a result of the private placement of shares during the year ended March 31, 2011, there was a change in the registered shareholders by more than 51%. The above provision is not applicable to companies in which public are substantially interested. Sec. 2(18) of the Indian Income Tax Act, among other things, defines a company listed in a recognized Stock Exchange in India as a Company in which public are substantially Interested. Based on the non-discrimination clause available in the India - United States of America tax treaty, when the capital of the company is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Country, the company shall not be subjected to more burdensome position than the similar enterprises of the Contracting Country. Based on the above clause, the Company being listed in US Stock Exchange should not be discriminated for being not listed in India and be treated on par with a Company listed in India. Hence, the Company believes that it is out of the purview of Sec.79 of the Indian Income Tax Act. Further as disclosed in Item 7 of this Annual Report, there has been no change in the beneficial ownership of Shares by more than 51% compared to earlier years and the Board of Directors of the Company have continued to be the same. Hence based on the advice, the Company believes that it can carry forward and set-off the above losses incurred by it in earlier years.

Table of Contents**Income tax expense recognized in profit or loss**

	March 31, 2014	March 31, 2013	March 31, 2012
Current tax expense / (benefit)			
Current period	-	-	-
	-	-	-
Deferred tax expense			
Origination and reversal of temporary differences	(137,877)	(95,326)	7,174
Recognition of previously unrecognized tax losses	137,877	95,326	(7,174)
Reversal of previously recognized tax losses	-	-	-
	-	-	-
Total income tax expense / (benefit)	-	-	-

There are no income taxes directly recognized in other comprehensive income.

Reconciliation of effective tax rate

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

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Profit / (loss) before income taxes	318,400	451,569	(383,337)
Enacted tax rates in India	33.99 %	32.45 %	32.45 %
Computed expected tax expense / (benefit)	108,224	146,512	(124,373)
Effect of:			
Share based payment expense not deductible for tax purposes	15	814	10,082
Unrecognized deferred tax assets on losses incurred during the year (net of temporary differences, if any)	(23,020)	(190,987)	123,148
Unrecognized deferred tax asset on temporary differences	6,863	(143,801)	-
Profit on sale of equity accounted investee	-	88,702	
Profit on sale of equity accounted investee taxed at a lower rate	-	44,351	
Share of profit of equity accounted investee taxed at a lower rate	-	-	(2,952)
Expenses/income not taxable	8,300	296,797	
Recognition of previously unrecognized tax losses	100,382	(242,388)	(5,905)
	-	-	-

12.

Inventories

Inventories comprise:

	March 31, 2014	March 31, 2013
Communication hardware	187,369	167,434
Application software	13,460	19,232
	200,829	186,666

The entire carrying amount of inventories as at March 31, 2014 and 2013 are secured in connection with bank borrowings.

13.

Trade and other receivables

Trade and other receivables comprise:

	March 31, 2014	March 31, 2013
(i) Trade receivables, net	3,520,587	2,708,879
(ii) Other receivables including deposits	1,267,264	1,037,549
(iii) Construction contract related accruals	87,682	49,139
	4,875,533	3,795,567

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Trade receivables as of March 31, 2014 and March 31, 2013 are stated net of allowance for doubtful receivables. The Group maintains an allowance for doubtful receivables based on its age and collectability. Trade receivables (i) are not collateralized except to the extent of refundable deposits received from cybercafé franchisees and from cable television operators. The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables, excluding construction work in progress is disclosed in note 38. Trade receivables consist of:

	March 31, 2014	March 31, 2013
Trade receivables from related parties	-	-
Other trade receivables	3,693,984	2,919,438
	3,693,984	2,919,438
Less: Allowance for doubtful receivables	(173,397)	(210,559)
Balance at the end of the year	3,520,587	2,708,879

	For the year ended	
	March 31, 2014	March 31, 2013
Balance at the beginning of the year	210,559	193,242
Add : Additional provision, net	177,581	186,600
Less : Bad debts written off	(214,743)	(169,283)
Balance at the end of the year	173,397	210,559

(ii) Other receivables comprises of the following items:

	March 31, 2014	March 31, 2013
Advances and other deposits (Refer Note (a) below)	758,270	474,440
Withholding taxes (Refer Note (b) below)	508,994	563,109
	1,267,264	1,037,549
Financial assets included in other receivables	56,936	34,475

Notes:

a) Advances and other deposits primarily comprises of receivables in the form of deposits, service tax and other advances given in the ordinary course of business.

b) Includes withholding taxes recoverable from the Department of Income-tax for which the Company has filed tax returns for refund. The Company expects to realize such refund of withholding taxes within the next 12 months.

Prepayments for current assets comprise of the following:

	March 31, 2014	March 31, 2013
Prepayments for purchase of bandwidth	21,769	74,870
Prepayments related to insurance	1,100	468
Prepayments-others	126,801	112,890
Lease prepayments	14,353	8,754
	164,023	196,982

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15. Other investments

Other Investments comprise investment in unquoted equity instruments classified as available for sale financial assets which are carried at cost. The details of such investments are given below:

	March 31, 2014	March 31, 2013
Investment in equity shares of Vashi Railway Station Commercial Complex Limited	150	150
Investment in equity shares of Sify Empower India Foundation	-	100
Less: Impairment of investments	-	(100)
Investment in equity shares of Sarayu Clean Gen Private Limited	1,560	1,560
	1,710	1,710

16. Share capital and share premium

No of shares

	Year ended March 31,		
	2014	2013	2012
Issued as at April 01	178,513,589	178,513,589	178,351,498
Issued for cash*	-	-	-
Issued for consideration other than cash	-	-	-
Exercise of share options	17,198	-	162,091
Issued as at March 31	178,530,787	178,513,589	178,513,589

*Paid up 7 (March 31, 2013: 6.25) per share

Pursuant to the approval of the scheme of merger of the Company with its subsidiaries Sify Software Limited and Hermit Projects Private Limited, by the Shareholders at the Honourable High Court of Madras, India, the authorized share capital of the Company was enhanced by an amount of 51,000,000. Hence, our authorized share capital is increased to 1851,000,000, divided into 185,100,000 Equity Shares, having a par value 10 per share. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to vote at meetings of the Group. All shares rank equally with regard to Group's residual assets.

Also refer note 40 – Issue of share on private basis to existing promoter group

Further during the year ended March 31, 2014, 17,198 ordinary shares have been issued consequent to exercise of options under the Associate stock option plan.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share based payment reserve

Share based payment reserve represents the stock compensation expense recognized in the statement of changes in equity.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities until the investments are derecognized or impaired.

Table of Contents**Recognized actuarial gain / loss**

Recognized actuarial gain / loss represent the cumulative actuarial gain / loss recognized in other comprehensive income and presented within equity.

17. Finance lease obligations

The Group leases routers and other equipments under finance lease arrangements. The following is a schedule of future minimum finance lease commitments as at March 31, 2014:

	March 31, 2014		March 31, 2013		Present value minimum lease payments	
	Future minimum lease payments	Interest	Future minimum lease payments	Interest		
Less than one year	467,448	(114,760)	352,688	205,811	(49,715)	156,096
Between one and five years	798,082	(96,918)	701,164	374,565	(58,659)	315,906
Total	1,265,530	(211,678)	1,053,852	580,376	(108,374)	472,002

18. Employee benefits

	March 31, 2014	March 31, 2013
Gratuity payable	12,744	23,160
Compensated absences	25,891	29,069
	38,635	52,229

Gratuity cost

The components of gratuity costs recognized in the consolidated income statement for the years ending March 31, 2014, March 31, 2013 and March 31, 2012 consist of the following:

	March 31, 2014	March 31, 2013	March 31, 2012
Service cost	16,016	15,900	15,892

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Interest cost	4,879		4,876		4,449	
Expected return on plan asset	(3,199)	(3,295)	(3,214)
	17,696		17,481		17,127	

Details of employee benefit obligation and plan asset are as follows:

	March 31, 2014	March 31, 2013	
Present value of projected benefit obligation at the end of the year	53,370	65,723	
Funded status of the plans	(40,626) (42,563)
Recognized (asset) / liability	12,744	23,160	

The following table set out the status of the gratuity plan:

Change in defined benefit obligation	March 31, 2014	March 31, 2013	March 31, 2012	
Projected benefit obligation at the beginning of the year	65,723	62,610	59,571	
Service cost	16,016	15,900	15,892	
Interest cost	4,879	4,876	4,449	
Actuarial (gain) / loss	(23,806) (5,835) (9,372)
Benefits paid	(9,443) (11,828) (7,930)
Projected benefit obligation at the end of the year	53,369	65,723	62,610	

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	March 31, 2014	March 31, 2013	March 31, 2012
Change in plan assets			
Fair value of plan assets at the beginning of the year	42,563	43,095	40,455
Expected return on plan assets	3,199	3,296	3,214
Actuarial gain / (loss)	-	-	-
Employer contributions	4,307	8,000	7,356
Benefits paid	(9,443) (11,828) (7,930
Fair value of plan assets at the end of the year	40,626	42,563	43,095
Actual return on plan assets	3,199	3,296	3,214

Actuarial assumptions at end of the year:

The principal actuarial assumptions as on March 31, 2014, 2013 and 2012 were as follows:

	March 31, 2014	March 31, 2013	March 31, 2012
Discount rate	8.80% P.a	8.60% P.a	8.00% P.a
Long-term rate of compensation increase	6.00% P.a	8.00% P.a	8.00% P.a
Expected long term rate of return on plan assets	8.00% P.a	8.00% P.a	8.00% P.a
Average future working life time	4.90 years	8.40 years	8.60 years

Discount rate: The discount rate is based on prevailing market yields of Indian Government securities as at the end of the year for the estimated term of the obligations.

Long term rate of compensation increase: The estimates of future salary increases considered take into account inflation, seniority, promotion and other factors.

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

Assumptions regarding future mortality are based on published statistics and mortality tables.

The Group assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Historical information

	March 31, 2014	March 31, 2013
Experience adjustment on plan liabilities	6,405	10,147
Experience adjustment on plan assets	-	-

Contributions: The Group expects to contribute 15,000 (March 31, 2013: 15,000) to its gratuity fund during the year ending March 31, 2014.

The expected benefit payments to be made in the next five years are as under:

Year	Amount ()
2014-15	3,673
2015-16	3,645
2016-17	3,927
2017-18	4,782
2018-19	4,880

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Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2014 and March 31, 2013, by asset category is as follows:

	March 31, 2014		March 31, 2013	
Funds managed by insurers	100	%	100	%

Actuarial gains and losses recognized in other comprehensive income

The amount of actuarial gains and losses recognized in other comprehensive income for the years ending March 31, 2014, 2013 and 2012 are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012
Actuarial gain / (loss)	23,806	5,835	9,372
	23,806	5,835	9,372

Sensitivity Analysis of significant actuarial assumption

Sensitivity analysis for the defined benefit obligations will increase/ decrease by the amounts mentioned below if there is a variation of 50 basis points in the discount rate and salary escalation rate.

	Discount rate		Salary escalation rate	
	Increase by 50 bps ('000s)	Decrease by 50 bps ('000s)	Increase by 50 bps ('000s)	Decrease by 50 Bps ('000s)
Present Value of Defined Benefit Obligation	2,546	(2,757) 2,641	(2,491)

The present value of defined benefit obligation has been arrived at using the same method as is used for valuing the defined benefit obligation as per the current assumptions. The increase/decrease in defined benefit obligation has been arrived assuming the other assumptions are constant though such increase/decrease do not happen in isolation in real scenarios.

Contributions to defined contribution plans

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Group contributed 52,524, 59,524 and 57,144 for the years ended March 31, 2014, 2013 and 2012.

19.	Other liabilities	
	March 31, 2014	March 31, 2013
Deferred income and other liabilities	432,051	223,434
	432,051	223,434
Financial liabilities included in other liabilities	158,942	217,848

The franchisees, as part of the agreement, were required to pay initial security deposit in consideration for establishing the franchisee relationship and providing certain initial services. As the Company no more concentrates on the consumer segment, these deposits are repayable and hence are moved to trade and other payables.

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	Borrowings	
	March 31, 2014	March 31, 2013
20. Current		
Term bank loans (Refer note 1 below)	113,333	47,500
Other working capital facilities (Refer note 2 below)	448,578	231,153
Borrowings from others (Refer note 3 below)	284,600	378,658
	846,511	657,311
Non current		
Term bank loans (Refer note 1 below)	430,889	332,500
Borrowings from others (Refer note 3 below)	155,669	138,869
	586,558	471,369

The Group has borrowings which include:

The term loans bear interest rate ranging from 12.75% to 13.25% and repayable in equal monthly / quarterly installments within a tenor of 6 years after moratorium periods ranging from 3 months to one year of total balance , an amount of 217,000 is primarily secured by charge on movable fixed assets funded by term loan and also 1. collaterally secured by extension EM of title deeds of property at Noida in the name of M/s Pace Infocom (100% subsidiary of STL) together with their corporate guarantee in this regard. Balance amount of 327,200 is primarily secured by EM of title deeds of property of the company at Rabale & collaterally by EM of title deeds of property of the company at Vashi at Mumbai.

2. Working capital facilities:

- (a) Cash credit facilities amounting to 1,085,900 are primarily secured by way of pari-passu first charge on the entire current assets of the Company to all working capital bankers under consortium.

(b) In addition to the above, out of these Cash Credit facilities,

- (i) exposure amounting to 730,200 is collaterally secured by way of pari-passu charge on the unencumbered movable fixed assets of the Company, both present and future.

- (ii) exposure amounting to 636,300 is collaterally secured by way of equitable mortgage over the properties at Tidel Park, Chennai and Vashi, Vile Parle at Mumbai

- (iii) exposure amounting to 343,200 is collaterally secured by equitable mortgage over the land and building at Noida, Delhi in the name of M/s Pace Info Com Park Private Limited, a subsidiary company and also by the corporate

guarantee issued by the said subsidiary and

(iv) the balance exposure amounting to 93,900 is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

(c) These working capital facilities bear interest ranging from 11.70% to 13.50% p.a. and these facilities are subject to renewal annually.

3. Borrowings from others are secured against relevant assets and software. These loans carry an interest rate ranging from 11.7% p.a to 13.5% p.a.

21. Trade and other payables

	March 31, 2014	March 31, 2013
Trade payables	1,025,110	1,102,195
Advance from customers	114,438	115,198
Accrued expenses	1,462,258	1,148,044
Other payables	294,172	79,386
	2,895,978	2,444,823
Financial liabilities included in trade and other payables	2,835,738	2,392,143

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22. Deferred income

	March 31, 2014	March 31, 2013
Deferred income	667,778	522,212
	667,778	522,212

23. Revenue

	Year ended		
	March 31, 2014	March 31, 2013	March 31, 2012
Rendering of services			
Service revenue*	8,589,983	7,004,027	5,920,142
Initial franchise fee	79	2,095	6,395
Installation service revenue	1,376,342	1,113,175	883,126
	9,966,404	8,119,297	6,809,663
Sale of products	493,825	451,019	889,286
	10,460,229	8,570,316	7,698,949

* Including revenue arising from construction contracts (refer note 24) and revenue from operating leases amounting to 24,792 (refer note 32)

24. Construction contracts in progress

	Year ended		
	March 31, 2014	March 31, 2013	March 31, 2012
Contract revenue recognized for the year	71,421	197,483	207,942
Aggregate amounts of costs incurred and recognized profits (less recognized losses) upto the reporting date for contracts in progress	53,273	22,059	185,725
Amount of retentions	-	-	12,602
Gross amount due from customers for contract work presented as an asset	63,976	22,059	99,998

25. Cost of goods sold and services rendered

Cost of goods sold and services rendered information is presented before any depreciation or amortization that is direct and attributable to revenue sources. The Group's asset base deployed in the business is not easily split into a

component that is directly attributable to a business and a component that is common / indirect to all the businesses. Since a gross profit number without depreciation and amortization does not necessarily meet the objective of such a disclosure, the Group has not disclosed gross profit numbers but disclosed all expenses, direct and indirect, in a homogenous group leading directly from revenue to operating income.

26.

Other income

	Year ended	
	March	
	31,	March 31, 2013
	2014	March 31, 2012
Others	93,461	50,858
	93,461	50,858
		37,377
		37,377

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27. Selling, general and administrative expenses

	Year ended March 31, 2014	March 31, 2013	March 31, 2012
Personnel expenses	616,727	590,222	550,299
Marketing and promotion expenses	212,757	307,579	312,530
Administrative and other expenses*	1,910,329	1,553,673	1,221,063
	2,739,813	2,451,474	2,083,892

* Includes foreign exchange gain / (loss) of (5,284), 18,881 and 37,650 for the years ended March 31, 2014, 2013 and 2012 respectively

28. Personnel expenses

	Year ended March 31, 2014	March 31, 2013	March 31, 2012
Salaries and wages	1,202,713	1,356,744	1,314,023
Contribution to provident fund and other funds	70,604	77,286	77,840
Staff welfare expenses	17,138	15,599	17,426
Employee stock compensation expense	45	2,566	31,385
	1,290,500	1,452,195	1,440,674
Attributable to cost of goods sold and services rendered	673,773	861,973	890,375
Attributable to selling, general and administration expenses	616,727	590,222	550,299

29. Share-based payments

Share based payments are designed as equity-settled plans. Under the equity settled plans, the Group had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002 and ASOP 2005 plans as at April 1, 2009. Our stock option plans are detailed as under:

(i) Associate Stock Option Plan 2007

In September 2007, the Shareholders of the Group approved a new scheme for allotment of stock options to employees, the Associate Stock Option Plan 2007. Consequent upon the introduction of ASOP 2007 plan, 797,600 unissued stock options pertaining to Associate Stock Option Plan 2005 are no longer available for issuance.

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

One sixth of the option quantity: At the end of one year from the date of the grant.

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

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

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As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2007 Plan is as follows:

No. of options granted, exercised and forfeited	Number	Weighted	Number	Weighted	Number of	Weighted
	of options	average exercise price in	of options	average exercise price in	options	average exercise price in
	2014	2014	2013	2013	2012	2012
Outstanding at the beginning of the year	54,592	98.85	601,168	152.26	841,200	146.58
Granted during the year	-	-	-	-	-	-
Replaced (Refer to notes below)	-	-	-	-	-	-
Replacement options granted (Refer to notes below)	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	(27,995)	109.33
Expired during the year	(7,394)	177.67	(546,576)	144.52	(49,946)	144.52
Exercised during the year	(17,198)	65.69	-	-	(162,091)	131.99
Outstanding at the end of the year	30,000	98.24	54,592	98.85	601,168	152.26
Vested and Exercisable at the end of the year	30,000	98.24	54,592	98.85	579,140	153.59

The fair value of stock options granted has been measured using the Black Scholes model at the date of the grant. The Black Scholes model includes assumptions regarding dividend yields, expected volatility, expected term (or “option life”) and risk free interest rates. In respect of the options granted, the expected term is estimated based on the vesting term, contractual term as well as expected exercise behavior of the employees receiving the option. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company’s publicly traded equity shares. Dividend yield of the options is based on the recent dividend activity. Risk-free interest rates are based on the Government securities yield in effect at the time of the grant. These assumptions reflect management’s best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside the Company’s control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in the future periods, stock compensation expense could be materially impacted in future years.

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

There has been no options granted during the year and hence no fair value disclosures have been made.

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

	Range of exercise price in	Number outstanding at March 31, 2014	Weighted average exercise price in	Weighted average remaining contractual life	Number exercisable at March 31, 2013	Weighted average exercise price in
ASOP 2007	98.24	30,000	98.24	0.56 yrs	54,592	98.85

Modification

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

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The incremental fair value of the stock options replaced was determined by reference to the difference between the fair value of the replaced stock options and the fair value of the cancelled stock options at the date of grant of new stock options. The incremental fair value as a result of such modification in respect of modified options amounted to Rs.20,959 during the year ended March 31, 2008. In respect of modification that has occurred during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized, for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental fair value granted is recognized immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments. The incremental cost recognized in respect of such modified options amounted to 17,967 for the years ended March 31, 2012.

The assumptions that were used in arriving at the incremental fair value are as summarized below:

Assumptions	Pre modification	Post modification
Current market price	174.83	174.83
Exercise price	308.34-578.38	157.35
Expected term	3 – 4.5 years	3 – 4.5 years
Volatility	53.83% - 77.82%	53.01% - 77.82%
Dividend yield	0%	0%
Discount rate	2.5%	2.5%

30.

Financial income and expense

	Year ended		
	March 31, 2014	March 31, 2013	March 31, 2012
Interest income on bank deposits	61,959	26,264	16,468
Others	58,289	47,589	42,845
Finance income	120,248	73,853	59,313
Interest expense on lease obligations	90,911	22,272	20,089
Bank charges (including letter of credit, bill discounting and buyer's credit charges)	82,158	57,779	129,133
Interest expense on borrowings	204,553	180,390	157,510
Finance expense	(377,622)	(260,441)	(306,732)
Net finance income / (expense) recognized in profit or loss	(257,374)	(186,588)	(247,419)

31.

Earnings / (loss) per share

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The calculation of basic earnings / (loss) per share for the years ended March 31, 2014, 2013 and 2012 is based on the earnings / (loss) attributable to ordinary shareholders of 318,400, 451,569 and (383,337) respectively and a weighted average number of shares outstanding of 136,679,950, 131,638,589, and 103,313,278, respectively, calculated as follows:

	Year ended March 31, 2014	March 31, 2013	March 31, 2012
Net profit / (loss) – as reported	318,400	451,569	(383,337)
Weighted average number of shares – basic	136,679,950	131,638,589	103,313,278
Basic earnings / (loss) per share	2.33	3.43	(3.71)
Weighted average number of shares – diluted	136,682,565	131,636,425	103,313,278
Diluted earnings / (loss) per share	2.33	3.43	(3.71)

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	Year ended March 31,		
	2014	2013	2012
Issued fully paid ordinary shares at April 01	53,351,498	53,351,498	53,351,498
Effect of shares issued on exercise of stock options	169,205	162,091	98,392
Effect of partly paid shares (Note 1)	83,159,247	78,125,000	49,863,388
Weighted average number of equity shares and equivalent shares outstanding	136,679,950	131,638,589	103,313,278

Weighted average number of ordinary shares diluted

	Year ended March 31,		
	2014	2013	2012
Weighted average number of ordinary shares (basic)	136,679,950	131,638,589	103,313,278
Effect of stock options	2,615	(2,164)	-
Weighted average number of equity shares outstanding (diluted)	136,682,565	131,636,425	103,313,278

As the Company incurred a net loss attributable to ordinary shareholders for the year ended March 31, 2012, 601,168 ordinary shares arising out of potential exercise of outstanding stock options as at March 31, 2012 were not included in the computation of diluted earnings per share, as their effect was anti-dilutive.

Note 1: During the year ended March 31, 2011, 125,000,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2014, these shares were partly paid up to the extent of ₹ 7 (March 31, 2013 : ₹ 6.25) per share. Refer note 16 to the consolidated financial statements.

32.

Operating leases

The Group leases office buildings and other equipment under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of the leases include rent escalation clauses. Rental expenses under these leases were ₹ 356,631, ₹ 367,252 and ₹ 339,139 for the years ended March 31, 2014, 2013 and 2012 respectively. The schedule of future minimum rental payments in respect of operating leases is set out below:

As at March 31, 2014

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Lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
Non-cancellable operating lease obligations	1,690,119	123,316	540,552	1,026,251

As at March 31, 2013

Lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
Non-cancellable operating lease obligations	1,803,863	113,744	519,254	1,170,865

Operating lease income:

The company has given plant and machinery under operating lease arrangements to its customers the period of which are generally up to 5 years. The schedule of minimum lease rental incomes in respect of these operating lease arrangements are given below:

	As at March 31,2014	As at March 31,2013
Receivables not later than one year	23,429	-
Receivables later than one year and not later than five years	81,630	-
	105,059	-

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33.

Segment reporting

The Company, in the immediate past, has been operating with two segments of business viz Enterprise Service and Software services. During the year 2013-14, the Company has reorganised its business into the following offerings.

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

*The segment was named as “Application Services” in 6 K and subsequently renamed as “Applications Integration Services”.

Consequently the operating segments are as under:

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

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

Data Centre services: The Company operate 5 Tier III Data Centres of which two are located in Mumbai (Bombay), one each at Noida (Delhi), Chennai (Madras) and Bengaluru, to host mission-critical applications. The Company

offers co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent 'secure cages' at the hosting facility as per their application requirements. It also offers a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration under this business line.

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

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

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

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

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

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

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

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

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

The Direct costs such as Bandwidth , Inter Connect Charges , IP termination costs, Associate costs of Delivery teams, Associate costs of billable resources , Revenue share payable , Power costs , Operating costs of the Network , Cost of goods sold and other direct costs are allocated directly to the respective operating segments.

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

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

The Group’s operating segment information for the years ended March 31, 2014, 2013 and 2012, are presented below:

Year ended March 31, 2014 (As adjusted)

	Telecom Services	Data Centre Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total
Segment revenue	6,875,633	1,223,857	515,146	842,017	1,003,576	10,460,229
Allocated segment expenses	(5,246,162)	(952,176)	(436,408)	(881,163)	(762,890)	(8,278,799)
Segment operating income / (loss)	1,629,471	271,681	78,738	(39,146)	240,686	2,181,430
Unallocated expenses:						
Selling, general and administrative expenses						(597,874)
Depreciation and amortization						(1,101,243)
Other income / (expense), net						93,461
Finance income						120,248

Finance expenses	(377,622)
Profit / (loss) before tax	318,400
Income tax (expense) / benefit	-
Profit / (loss) for the year	318,400

Year ended March 31, 2013 (As adjusted)

	Telecom Services	Data Centre Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total
Segment revenue	5,337,983	1,235,613	510,904	785,147	700,669	8,570,316
Allocated segment expenses	(4,376,213)	(989,533)	(242,308)	(878,501)	(717,919)	(7,204,475)
Segment operating income / (loss)	961,769	246,080	268,596	(93,354)	(17,250)	1,365,841
Unallocated expenses:						
Selling, general and administrative expenses						(587,909)
Depreciation and amortization						(848,210)
Other income / (expense), net						50,858
Finance income						73,853
Finance expenses						(260,441)
Profit / (loss) before tax						(206,008)
Exceptional item						657,577
Profit / (loss) for the year						451,569

Table of Contents**Year ended March 31, 2012 (As adjusted)**

	Telecom Services	Data Centre Services	Cloud and Managed Services	Technology Integration Services	Applications Integration Services	Total
Segment revenue	4,331,963	1,042,976	409,625	1,165,308	749,077	76,98,949
Allocated segment expenses	(3,469,398)	(737,009)	(277,762)	(1,452,600)	(729,587)	(6,666,356)
Segment operating income / (loss)	862,565	305,967	131,863	(287,292)	19,490	1,032,593
Unallocated expenses:						
Selling, general and administrative expenses						(541,626)
Depreciation and amortization						(691,560)
Other income / (expense), net						37,377
Finance income						59,313
Finance expenses						(306,732)
Share of profit of equity accounted investee						27,298
Profit / (loss) before tax						(383,337)
Income tax (expense) / benefit						-
Profit / (loss) for the year						(383,337)

Year Reconciliations

	Cost of goods sold	Selling, general and administrative expenses	Finance expenses	Total
Year ended March 31, 2014				
Allocated segment expenses	6,136,860	2,141,939	-	8,278,799
Unallocated segment expenses	-	597,874	377,622	975,496
Total as per income statement	6,136,860	2,739,813	377,622	9,254,295
Year ended March 31, 2013				
Allocated segment expenses	5,340,910	1,863,565	-	7,204,475
Unallocated segment expenses	-	587,909	260,441	848,350
Total as per income statement	5,340,910	2,451,474	260,441	8,052,825
Year ended March 31, 2012				
Allocated segment expenses	5,124,090	1,542,266	-	6,666,356
Unallocated segment expenses	-	541,626	306,732	848,358
Total as per income statement	5,124,090	2,083,892	306,732	7,514,714

Table of Contents**Revenue reclassifications****For the year ended March 31, 2013**

	Revised operating segments					Total
	Telecom Services	Data Centre services	Cloud and Managed Services	Technology Integration Services	Applications Integration services	
Segments previously reported						
Enterprise services	5,337,983	1,235,613	510,904	785,147		7,869,647
Software services					700,669	700,669
Revised revenue	5,337,983	1,235,613	510,904	785,147	700,669	8,570,316

For the year ended March 31, 2012

	Revised operating segments					Total
	Telecom Services	Data Centre services	Cloud and Managed Services	Technology Integration Services	Applications Integration services	
Segments previously reported						
Enterprise services	4,331,963	1,042,976	409,625	1,165,308		6,949,872
Software services					749,077	749,077
Revised revenue	4,331,963	1,042,976	409,625	1,165,308	749,077	7,698,949

Operating and allocated cost reclassifications:**For the year ended March 31, 2013**

	Revised operating segments					Total
	Telecom Services	Data Centre services	Cloud and Managed Services	Technology Integration Services	Applications Integration services	
Segments previously reported						
Enterprise services	4,376,213	989,533	242,308	878,502		6,486,556
Software services					717,919	717,919
Revised Costs	4,376,213	989,533	242,308	878,502	717,919	7,204,475

For the year ended March 31, 2012

	Revised operating segments					Total
	Telecom Services	Data Centre services	Cloud and Managed Services	Technology Integration Services	Applications Integration services	
Segments previously reported						
Enterprise services	3,439,474	737,009	277,762	1,452,600		5,906,845
Tech opex costs*	29,924					29,924
Software services					729,587	729,587
Revised Costs	3,469,398	737,009	277,762	1,452,600	729,587	6,666,356

***Tech operating costs which was previously part of unallocated expenses, have now been allocated to telecom services.**

Geographic segments

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

Description	India	Rest of the world	Total
Revenues			
Year ended March 31, 2014	6,360,229	4,099,930	10,460,229
Year ended March 31, 2013	5,222,415	3,347,901	8,570,316
Year ended March 31, 2012	4,864,915	2,834,034	7,698,949

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

The revenue from transactions with a single external customer did not exceed 10% of the total revenue of the Company for each of the three years ended March 31, 2014.

During the previous years, the Group had received assessment orders from the Income-tax Department of India for various financial years disallowing certain expenditure like bandwidth charges and foreign currency payments for non-deduction of withholding taxes. The Company appealed against those order before Commissioner of Income Tax (Appeals) (CIT(A)) and received favourable orders. The department has filed appeals before Income Tax Appellate Tribunal (ITAT) disputing CIT(A) orders. The group believes that the appeal by the department is not sustainable and consequently no loss contingency is necessary as at March 31, 2014. Income tax claims against the company as at March 31, 2014 amounted to 8,028 (March 31, 2013: Nil).

b) Contingencies due to certain service tax claims as at March 31, 2014 amounted to 502,033 (March 31, 2013: 478,876).

c) Additionally, the Group is also involved as a party to lawsuits, claims and proceedings, which arise in the ordinary course of business. The Group does not foresee any material contingency out of the pending issues.

The Group during the year ended March 31, 2009 entered into a contract with Emirates Integrated Telecom for the construction and supply of capacity from the Europe India Gateway. As per the contract with Emirates, the Group is d) required to pay its share of decommissioning costs if any that may arise in the future. No provision has been made by the Group for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2014.

e) Liability on customer letter of credit discounted amounted to Nil (March 31, 2013: 122,260).

Effective 2012-13, the Company has participated in the Export Promotion Capital Goods Scheme (“the scheme”) under which capital equipments are permitted to be imported against a specific licence at a substantially reduced customs duty, subject to fulfilment of obligation to export services rendered by use of capital equipment imported f) under the scheme to the extent of over 6 times (March 31,2013: 8 times) the value of duty saved over a period of 6 years (March 31,2013: 8 years) from the date of obtaining the licence. In case of failure to meet the export obligation, the company would be liable to pay the differential between the normal duty and the duty saved under the scheme along with interest.

As of March 31, 2013, the Company was holding 19 licences with a corresponding export obligation of 6,269. During the year 2013-14, the Company had fulfilled the Export Obligation pertaining to 16 licences of the above by virtue of higher export of services enabling earlier settlement of obligation. As of March 31, 2014, the company is holding 32 licenses with a corresponding export obligation of 12,723. Taking into account the track record of the Company’s exports, it believes that it would be able to meet the export obligation within the time frame and would not be exposed to any liability on account of the above scheme.

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g) In respect of contingencies arising on legal proceedings, refer Note 35.

35. Legal proceedings

The Company and certain of its officers and directors are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which is captioned In re Satyam Infoway Ltd. Initial Public Offering Securities Litigation, also names several of the underwriters involved in Company's initial public offering of American Depository Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Company's ADSs from the time of Company's Initial Public Offering a) ("IPO") in October 1999 through December 2000. The central allegation in this action is that the underwriters in Company's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Company's ADSs in the IPO and the aftermarket. The complaint also alleges that Company violated the United States Federal Securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits.

On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The proposed settlement provides the plaintiffs with \$586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for \$100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On October 6, 2009, the District Court issued an order granting final approval of the settlement. Subsequent to the final approval of Settlement agreement by the District court, there were several notices of appeal filed. Most were filed by the same parties that objected to the settlement in front of the District Court. These appeals were consolidated into a single appeal and briefing schedule was held. On January 9, 2012 the class counsel and objectors counsel entered into a settlement agreement, which includes an agreement to dismiss the above appeal. Thus the above Appeal has been dismissed with prejudice confirming the Settlement agreement entered before the District Court.

During the year 2012-13, the exposure under this settlement had been settled by the insurer as per the settlement agreement.

b) Proceedings before Department of Telecommunications

(ii) License fees

On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications ('DOT') raised a demand on Sify Technologies for 14 million after correcting the arithmetical error in the assessment letter.

On February 26, 2010 DOT raised a demand on Sify Communications (erstwhile subsidiary merged with Sify Technologies Limited) for 26 million.

The above demands were made by the DoT on the premise that all amounts of income (whether direct or indirect) including certain items like other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets & provision written back, that have got anything to do with telecom operations of the Company or arise in connection with the Telecom business of the Company, are to be considered as income for the purpose of calculation of the license fee. The company has replied suitably on the above demand notice.

The service providers had approached Telecom Disputes Settlement & Appellate Tribunal ('TDSAT') on what all items of income are liable for calculation of license fee and what all items of income on which license fees are not liable to be paid. TDSAT by its order clarified on the above. The TDSAT order was challenged by DoT in Supreme Court of India and the Supreme Court has set aside the TDSAT order. The service providers through their associations are contemplating for further appeal in Supreme Court by way of review petition. Sify believes that inspite of the Supreme Court order, the above demands are not tenable under law nor fit into the definition of Adjusted Gross Revenue as defined by DoT. The company believes it has adequate defenses for these demands and the ultimate outcome of these actions may not have a material adverse effect.

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In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding 345 million (US \$ 7.05 million) towards spectrum charges payable from (ii) the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

Whilst the Company received allotment letter for Spectrum in 3.3 GHz band (3303.5/3353.5 MHz) (Total 12 MHz) the Company had neither started any operations in this frequency band nor had applied for any Operating License from DOT/ Wireless Planning Commission (WPC). The Company believes that the obligation to make payment will arise only after obtaining the operating license from DOT/WPC. The Company also believes that it has adequate legal defences for these demands, as the Company has not yet obtained any operative license, hence such demand is not tenable. Nevertheless, the Company has as a commitment to hold and use the spectrum in the above band has paid 11.56 million towards 40 Base Stations and has surrendered the remaining 130 Base Stations. The Company believes that the ultimate outcome of these actions will not have a material adverse effect.

The company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2014, the Company believes that it has adequate legal defences for these actions and c) that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be 26.6 million (March 31, 2013: 10.6 million)

36.

Related parties

The related parties where control / significant influence exists are subsidiaries and associates. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director whether executive or otherwise. Key management personnel includes the board of directors and other senior management executives. The other related parties are those with whom the Group has had transaction during the years ended March 31, 2014, 2013 and 2012 are as follows:

Particulars	Country of incorporation	% of Ownership interest	
		March 31, 2014	March 31, 2013
Holding Company			
Infinity Satcom Universal Private Limited		-	-
Raju Vegesna Infotech & Industries Private Limited (Refer note 40)		-	-
Ramanand Core Investment Company Private Limited		-	-
Subsidiaries			
Sify Software Limited (Formerly Sify Networks Private Limited)*****	India	-	100
Sify Technologies (Singapore) Pte. Limited	Singapore	100	100
Hermit Projects Private Limited*****	India	-	100
Pace Info Com Park Private Limited	India	100	100

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Sify Empower India Foundation	India	-	100
Others (Entities in which the Key Management Personnel have controlling interest / significant influence and relatives of Key Management Personnel)			
Radhika Vegesna	India	-	-
Server Engines LLC	USA	-	-
Server Engines India Private Limited	India	-	-
VALS Developers Private Limited	India	-	-
Raju Vegesna Developers Private Limited	India	-	-

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The following is a summary of the related party transactions for the year ended March 31, 2014:

Transactions	Holding Company	Associates	Others	Key Management Personnel***
Consultancy services received	-	-	-	240
Sitting fees paid	-	-	-	1,020
Salaries and other short term benefits	-	-	-	39,028
Contributions to defined contribution plans	-	-	-	2,029
Share based payment transactions	-	-	-	-
Issue of shares on private placement basis**	-	-	-	-
Advance lease rentals and refundable deposits refunded*	-	-	-	-
Refundable lease deposit paid*****	-	-	-	-
Lease rentals paid*****	900	-	3,813	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made*****	-	-	2,558	-

The following is a summary of the related party transactions for the year ended March 31, 2013:

Transactions	Holding Company	Associates	Others	Key Management Personnel***
Consultancy services received	-	-	-	240
Sitting fees paid	-	-	-	980
Salaries and other short term benefits	-	-	-	42,042
Contributions to defined contribution plans	-	-	-	1,934
Share based payment transactions	-	-	-	270
Issue of shares on private placement basis**	-	-	-	-
Advance lease rentals and refundable deposits refunded*	-	-	-	-
Refundable lease deposit paid*****	-	-	-	-
Lease rentals paid*****	900	-	3,429	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made*****	-	-	2,558	-

The following is a summary of the related party transactions for the year ended March 31, 2012:

Transactions	Holding Company	Associates	Others	Key Management
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				Personnel***
Consultancy services received	-	-	-	240
Sitting fees paid	-	-	-	1,280
Salaries and other short term benefits	-	-	-	37,385
Contributions to defined contribution plans	-	-	-	1,602
Share based payment transactions	-	-	-	1,041
Issue of shares on private placement basis**	1,500,000	-	-	-
Advance lease rentals and refundable deposits refunded*	-	-	2,175	-
Refundable lease deposit paid****	-	-	-	-
Lease rentals paid*****	150	-	3,129	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made*****	-	-	2,558	-

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*Represents deposits made to VALS Developers Private Limited (“VALS”). VALS was owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal share holder and Managing Director, was holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into an agreement for Sub Lease with VALS Developers Private Limited to take on lease on long term basis the proposed building which is in the process of being constructed. The lease agreement, when final and executed, was expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for the incremental five year terms. In terms of this Agreement for Sub Lease, Sify had paid a security deposit of 125,700 and advance rental of 157,125 to VALS. As per the terms of the Sub Lease, the security deposit will be refunded at the end of lease term and the advance rental would be adjusted over a period of 15 months from the commencement of the lease. To give effect to the above arrangement, VALS had entered into a Memorandum of Understanding on 16th June 2008 with M/s. Advance India Projects Limited (AIPL) and M/s. Pace Info com Private Limited (PACE), wherein PACE is an allottee of the land situated at B-07, Sector-132, Noida and VALS had through a Special Purpose Vehicle Hermit Projects Private Limited (HERMIT) decided to acquire the shares of PACE including the land held by it. VALS had paid a sum of 285,000 to AIPL at the time of signing the MoU.

During the year, on October 30, 2010, the Board of Directors had approved to cancel the MoU for lease arrangement and decided to acquire the property which is under construction from the third party directly. On 12th January 2011, through a Memorandum of Amendment, the company with the intention to acquire the said land, had substituted its name with that of VALS and through such amendment VALS had agreed to assign all rights, responsibilities, obligations, title etc. in favour of the company, thus making the company eligible to acquire PACE through HERMIT and subsequently the land and also making liable to pay the entire consideration of 1,140,000. Hence the Company had paid VALS an amount of 2,175 i.e., difference between the amount paid by the Company to VALS and the amount paid by VALS to AIPL.

During the previous year, the Company acquired the leasehold rights along with the building under construction through acquisition of entire shares HERMIT which in turn holds the entire shares of PACE, the original allottee of the land. As of March 31, 2014, the Company had paid a sum of 180,779 as an advance to AIPL towards construction of the building and any further sum it has to advance as per the commitment shall be adjusted towards value of investment in HERMIT after settling further debts and liabilities relating to construction of the said Data Centre.

** Also refer note 16 in relation to transactions relating to issue of equity shares on private placement basis to Raju Vegesna Infotech & Industries Private Limited.

*** Some of the key management personnel of the Group are also covered under the Group's gratuity plan along with other employees of the Group. Proportionate amounts of gratuity accrued under the gratuity plan have not been separately computed or included in the above disclosure.

****The company had entered into a lease agreement with Ms Radhika Vegesna, Daughter of Mr. Ananda Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of ₹ 256 per month and payment of refundable security deposit of ₹ 2,558. This arrangement will be automatically renewed for a further period of two blocks of three years with all the terms remaining unchanged.

****During the year 2011 -12, the Company had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 75 (Rupees Seventy Five Thousand Only) per month. Subsequently, the Company entered into an amendment agreement with effect from April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years.

**** During the year ended March 31, 2012, the Company had entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman and Managing director of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 30 (Rupees Thirty Thousand Only) per month. Subsequently, the Company entered into an amendment agreement with effect from April 1, 2013, providing for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years

***** The Companies have merged with Sify Technologies Limited effective April 1, 2013.

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37. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2014 were as follows:

Particulars	Note	Loans and receivables	Financial assets / liabilities at fair value through profit and loss	Available for sale	Other financial liabilities	Total carrying value	Total fair value
Assets							
Cash and cash equivalents	8	1,270,127	-	-	-	1,270,127	1,270,127
Other assets	10	226,698	-	-	-	226,698	226,698
Trade receivables	13	3,520,587	-	-	-	3,520,587	3,520,587
Other receivables	13	56,936	-	-	-	56,936	56,936
Derivative financial instrument		-	1,397	-	-	1,397	1,397
Other investments	15	-	-	1,710	-	1,710	1,710
Liabilities							
Bank overdraft	8	-	-	-	637,347	637,347	637,347
Finance lease liabilities	17	-	-	-	1,053,852	1,053,852	1,053,852
Other liabilities	19	-	-	-	158,942	158,942	158,942
Borrowings from banks	20	-	-	-	992,800	992,800	992,800
Borrowings from others	20	-	-	-	440,269	440,269	440,269
Trade and other payables	21	-	-	-	2,835,738	2,835,738	2,835,738
Derivative financial instruments		-	4,702	-	-	4,702	4,702

The carrying value and fair value of financial instruments by each category as at March 31, 2013 were as follows:

Particulars	Note	Loans and receivables	Financial assets / liabilities at fair value through profit and loss	Available for sale	Other financial liabilities	Total carrying value	Total fair value
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Assets							
Cash and cash equivalents	8	1,001,052	-	-	-	1,001,052	1,001,052
Other assets	10	254,724	-	-	-	254,724	254,724
Trade receivables	13	2,708,879	-	-	-	2,708,879	2,708,879
Other receivables	13	34,745	-	-	-	34,745	34,745
Other investments	15	-	-	1,710	-	1,710	1,710
Liabilities							
Bank overdraft	8	-	-	-	644,606	644,606	644,606
Finance lease liabilities	17	-	-	-	472,002	472,002	472,002
Other liabilities	19	-	-	-	217,848	217,848	217,848
Borrowings from banks	20	-	-	-	611,155	611,155	611,155
Borrowings from others	20	-	-	-	517,527	517,527	517,527
Trade and other payables	21	-	-	-	2,392,143	2,392,143	2,392,143

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Table of Contents***Details of financial assets pledged as collateral***

The carrying amount of financial assets as March 31, 2014 and 2013 that the Group has provided as collateral for obtaining borrowings and other facilities from its bankers are as follows:

	March 31, 2014	March 31, 2013
Cash and cash equivalents	1,270,127	1,001,052
Other assets	226,698	254,724
Trade receivables	3,520,587	2,708,879
Other receivables	56,936	34,745
	5,074,348	3,999,400

Derivative financial instruments

(a)

Forwards and options

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 do not qualify for hedge accounting under IAS 39, and are initially recognized at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognized immediately in profit or loss. The counterparties for these contracts are generally banks or financial institutions. The following table gives details in respect of the notional amount of outstanding foreign exchange contracts as at March 31, 2014 and 2013.

	As of March 31, 2014	March 31, 2013
Forward contracts In U.S. Dollars (Sell)	1,000	-

The Company recognized a net gain on the forward contracts of 1,397 for the year ended March 31, 2014.

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

As of

	March 31, 2014 (USD)	March 31, 2013
Sell:		
Not later than one month	500	-
Later than one month and not later than three months	500	-
Later than three months and not later than six months	-	-
Later than six months and not later than one year	-	-

(b)

Cross Currency Swap:

In order hedge against the variability in cash flows for the term loan taken by the Company, the company has entered into Cross Currency Swap (Principle Only Swap) arrangement with the bank where in, the Company pays fixed USD and receives Fixed INR principle and interest cash flows. The Company has designated such derivative at Fair Value through Profit and Loss Account and the gains or loss arising on the fair valuation of the said derivative is recognized in the profit and loss account.

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The details of outstanding cross currency swap contracts as of March 31, 2014 are as under:

As of	March 31, 2014		March 31, 2013
	Payable (USD)	Receivable (INR)	
Cross Currency Swap (USD)	3,200	198,024	-

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

	As of		March 31, 2013
	March 31, 2014	March 31, 2014	
	Payable	Receivable	
	(USD)	(INR)	
Less than 1 year	757	56,502	-
One to two years	717	52,227	-
Two to three years	677	47,953	-
Three to four years	637	43,678	-
Four to five years	597	39,404	-
More than five years	421	26,748	-
Total cash flows	3,806	266,512	-

Disclosure of fair value measurements:

The details of the fair value of the derivative financial instruments and their fair value measurement classifications are given below:

Derivative instrument	Fair value measurement level	Fair value as of March 31,2014	Fair value measurement level	Fair value as of March 31,2013
Derivative Asset				
Forward contracts	Level 2	1,397	-	-
Derivative Liability				
Cross currency swaps	Level 2	4,702	-	-

Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 classification comprises where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.

Interest, (expenses), gains and (losses) recognized on financial assets and liabilities

Recognized in profit or loss

	Year ended		
	March 31, 2014	March 31, 2013	March 31, 2012
Loans and receivables			
Interest income on bank deposits	61,959	26,264	16,468
Interest income from other loans and receivables	9,845	5,731	3,706
Impairment loss of trade receivables	(177,581)	(210,559)	(193,232)
Financial assets at fair value through profit or loss			
Net change in fair value of derivative financial instruments gain/(loss)	(3,305)	-	2,891
Other financial liabilities			
Interest expenses on lease obligations	(90,911)	(22,272)	(20,089)
Interest expenses on borrowings from banks, others and overdrafts	(204,553)	(180,390)	(157,510)

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Recognized directly in other comprehensive income

	Year ended		
	March		
	31, 2014	March 31, 2013	March 31, 2012
Net change in fair value of available-for-sale financial assets	-	-	-

38. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The group is not exposed to concentration of credit risk to any one single customer since the services are provided to and products are sold to customers who are spread over a vast spectrum. 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 Group is presently exposed to counter-party risks relating to short term and medium term deposits placed with public-sector banks, and also to investments made in mutual funds.

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries.

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.

Table of Contents**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, 2014 and 2013 was as follows:

	March 31, 2014	March 31, 2013
Cash and cash equivalents	1,270,127	1,001,052
Other assets	226,698	254,724
Trade receivables	3,520,587	2,708,879
Other receivables	56,936	34,745
Derivative financial instruments	1,397	0
Other investments	1,710	1,710
	5,077,455	4,001,110

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired other than trade receivables. The age analysis of trade receivables have been considered from the date of invoice. The ageing of trade receivables, net of allowances that are past due, is given below:

Period (in days)	March 31, 2014	March 31, 2013
Past due 181 - 270 days	274,116	223,443
Past due 271 - 365 days	265,228	95,086
More than 365 days	665,799	554,994
	1,205,143	873,523

See note 13 for the activity in the allowance for impairment of trade account receivables.

Financial assets that are not past due

Cash and cash equivalents, other assets, other receivables and finance lease receivables are neither past due nor impaired. Of the total trade receivables that are not past due as at March 31, 2014 amounting to 2,315,444 (March 31, 2013: 1,835,359) and impairment has not been recorded on the same.

Details of collateral and other credit enhancements held

	March 31, 2014	March 31, 2013
Security deposits received for internet access services	727	2,380

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

Table of Contents**As at March 31, 2014**

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Bank overdrafts	637,347	637,347	637,347	-	-
Finance lease liabilities	1,053,852	1,263,310	466,587	765,807	30,916
Other liabilities	158,942	158,942	158,942	-	-
Borrowing from banks	992,800	1,172,355	627,455	312,979	231,921
Borrowings from others	440,269	484,151	318,702	165,449	-
Trade and other payables	2,835,738	2,835,738	2,835,738	-	-
	6,118,948	6,551,843	5,044,771	1,244,235	262,837

As at March 31, 2013

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Bank overdrafts	644,606	644,606	644,606	-	-
Finance lease liabilities	472,002	580,375	205,811	343,774	30,790
Other liabilities	211,044	217,848	217,848	-	-
Borrowing from banks	611,155	780,018	327,818	200,054	252,146
Borrowings from others	517,527	577,871	422,825	142,813	12,233
Trade and other payables	2,392,143	2,392,143	2,392,143	-	-
	4,848,477	5,192,861	4,211,051	686,641	295,169

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

Currency risk: The Group's exposure in USD, Euro and other foreign currency denominated transactions gives rise to Exchange Rate fluctuation risk. Group's policy in this regard incorporates:

- Forecasting inflows and outflows denominated in US\$ for a twelve-month period
- Estimating the net-exposure in foreign currency, in terms of timing and amount

Determining the extent to which exposure should be protected through one or more risk-mitigating instruments to maintain the permissible limits of uncovered exposures.

Carrying out a variance analysis between estimate and actual on an ongoing basis, and taking stop-loss action when the adverse movements breaches the 5% barrier of deviation, subject to review by Audit Committee.

The Group's exposure to foreign currency risk as at March 31, 2014 was as follows:

All amounts in respective currencies as mentioned (in thousands)

	USD	CAD	CHF	EUR	GBP	DHS	HKD	SGD
Cash and cash equivalents	621	-	-	-	-	-	-	-
Trade receivables	1,0057	-	-	110	98	-	-	2
Trade payables	(4,753)	(4)	(4)	(16)	(12)	-	(37)	-
Working capital loan	(7,463)	-	-	-	-	-	-	-
Net exposure	(1,538)	(4)	(4)	94	86	-	(37)	2

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The Group's exposure to foreign currency risk as at March 31, 2013 was as follows:

All amounts in respective currencies as mentioned (in thousands)

	USD	CAD	CHF	EUR	GBP	DHS	HKD	SGD
Cash and cash equivalents	1,098	-	-	-	-	-	-	
Trade receivables	14,260	-	37	95	151	-	-	8
Trade payables	(4,757)	-	(4)	(35)	-	-	(15)	-
Gross balance sheet exposure	10,601	-	33	60	151	-	(15)	8
Forward exchange / option contracts	-	-	-	-	-	-	-	-
Net exposure	10,601	-	33	60	151	-	(15)	8

Sensitivity analysis

A 10% strengthening of the rupee against the respective currencies as at March 31, 2014 and 2013 would have increased / (decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Other comprehensive income	Profit or (loss)
March 31, 2014	-	(7,626)
March 31, 2013	-	(59,542)

A 10% weakening of the rupee against the above currencies as at March 31, 2014 and 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk: Interest rate risk is the risk that an upward movement in interest rates would adversely affect the borrowing costs of the group.

Profile

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

Carrying amount

March
31, 2014 March 31, 2013

Fixed rate instruments

Financial assets

- Fixed deposits with banks	510,336	211,315
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Financial liabilities

- Borrowings from banks	-	-
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- Borrowings from others	440,269	517,527
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Variable rate instruments

Financial liabilities

- Borrowings from banks	992,800	611,155
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- Bank overdrafts	637,347	644,606
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Fair value sensitivity for fixed rate instruments

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

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis has been performed on the same basis as 2013.

	Equity	Profit or loss
March 31, 2014	-	(15,824)
March 31, 2013	-	(12,399)

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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. IPO listing

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

This is in addition to the other clauses viz. it has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three out of the immediately preceding five years; provided that extraordinary items shall not be considered for calculating distributable profits, for being eligible to go for the IPO

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

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

40. Issue of shares on a private placement basis to the existing promoter group

On August 4, 2010, the Board of Directors of the company approved the issuance, in a private placement, of upto an aggregate of 125,000,000 of the company's equity shares, par value ₹ 10 per share ("Equity shares") at a discount compared to market value of ₹ 10, for an aggregate purchase price of ₹ 4,000,000, to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's Chairman and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The

company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the Offering. In pursuance of the Agreement, the company issued and allotted 125,000,000 equity shares to M/s Raju Vegesna Infotech and Industries Private Limited ("RVIPL"), a promoter group company. In accordance with Indian law, the purchase price is to be paid at such time as determined by Board of Directors of the company.

On August 14, 2011, the company received a letter from RVIPL expressing its intention to transfer the above partly paid shares to its wholly owned subsidiary M/s Ramanand Core Investment Company Private limited ("RCICPL"). The company, on August 26, 2011, registered such transfer of partly paid shares in the name of RCICPL.

On September 7, 2011, the parties entered into an amendment to the Subscription Agreement (the "Amendment") extending the validity of the agreement period to September 26, 2013. This Amendment provides the Board of Directors of the Company with additional time to call upon the purchasers to pay the balance money, in accordance with the terms of the Subscription Agreement.

As on March 31, 2014, these shares are partly paid to the extent of ₹ 7 per share. Until the full purchase price is paid by the purchasers, the company retains a lien on the equity shares purchased in connection with the Offering. As of March 31, 2014, entities affiliated with our Chairman and Managing Director, Raju Vegesna, beneficially owned approximately 86.27% of our outstanding equity shares, which includes the 125,000,000 shares (partly paid with proportionate voting rights) issued in connection with the above Offering.

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MF Global Sify Securities India Private Limited

IFRS Consolidated Financial Statements

As at March 31, 2012 and 2011 and for the year ended March 31, 2012, 2011 and 2010

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of MF Global Sify Securities India Private Limited

In our opinion, the accompanying Consolidated Statement of Balance Sheet, and the related Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow (collectively “consolidated financial statements) present fairly, in all material respects, the financial position of MF Global Sify Securities India Private Limited and its subsidiaries (collectively “the Company”) at March 31, 2012 and & March 31, 2011 and the results of their operations and their cash flows for the year ended March 31, 2012 & March 31, 2011 in conformity with International Financial Reporting Standards as issued by the International Accounting Standard Board. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

Without qualifying our opinion, we draw your attention to

Note 2.1 to the Consolidated Financial Statements which states that on October 31, 2011, MF Global Holdings Ltd (the “ultimate parent company”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. Such liquidation of the Ultimate Parent Company has negatively impacted the scale of operations of the Company. The shareholders of the Company have entered into Share Purchase Agreement (SPA) with an international brokerage house for acquiring its respective stake in the Company for which necessary regulatory approvals have been received & formalities relating to completion of such acquisition are pending. The revival of the scale of operations and resultant profitability of the Company is dependent upon successful completion of such acquisition of the Company.

Note 8.1.2 to the Consolidated Financial Statements which states that brokerage aggregating to Rs. 12,019 (000) from Institutional Clients have neither been disputed nor denied by the respective clients. However, these amounts have remained overdue as the Institutional clients are awaiting the clarity about the change of ownership of the Company.

c)

Note 26 to the Consolidated Financial Statements, which describes the uncertainty related to the outcome of the ongoing discussions between the Company's shareholders concerning the reconsideration of certain costs charged to the Company by MF Global Holdings Limited and its affiliated and associated group companies for the two years ended March 31, 2008 and March 31, 2009 which is being carried as a liability in the accounts.

Note 30.1 to the Consolidated Financial Statements which states that as on October 31, 2011, MF Global Holdings Ltd (the "ultimate parent company") filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. Consequently, the Company has not obtained confirmation of outstanding balances with related parties as at March 31, 2012. The Company has confirmed that there were no significant transactions with such parties after the date of filing such petitions and therefore the Consolidated Financial Statements have been prepared from the book balances which are subject to reconciliation / confirmations from the respective parties.

We conducted our audit of these consolidated financial statements for the year ended March 31, 2012 and March 31, 2011 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, and evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

ASA & ASSOCIATES

Independent Registered Public Accounting Firm

Mumbai , India

July 29, 2012

Table of ContentsConsolidated Statement of Balance Sheet

		As at	
	Note	March 31, 2010	March 31, 2011
ASSETS			
Cash and bank balance	11	146,980	281,486
Cash-restricted	12	2,324,000	2,959,063
Interest bearing deposits with bank	13	70,777	93,362
Receivable from broker-dealers and clearing organizations	9	170,660	18,580
Receivable from customers (net of provision of Rs. 86,300 and Rs. 60,600 respectively)	8	340,998	447,770
Available-for-sale securities:			
Marketable, at market value	14	41,005	133,644
Deposits with clearing organizations		78,613	173,783
Interest accrued but not due		57,301	67,124
Other assets	10	208,999	245,800
Intangible assets:			
Computer software	5.1	7,886	19,271
Memberships in exchanges	5.2	6,385	5,733
Property, plant and equipment	6	11,021	21,827
Deferred tax asset (Net)	7	42,288	79,476
Total assets		3,506,913	4,546,919
EQUITY			
Capital and reserves attributable to the Equity Holders			
Ordinary shares	15	518,942	518,942
Additional paid in capital		28,968	28,968
Retained earnings		1,898,693	1,806,071
Currency translations		8,759	(232)
Fair value adjustments		(774)	(774)
Total Equity		2,454,588	2,352,975
LIABILITIES			
Payable to broker-dealers and clearing organizations	9	184,659	264,504
Payable to customers		684,802	1,272,571
Borrowings	17	-	53,000
Accounts payable, accrued expenses and other liabilities	19	181,357	505,605
Employee benefit obligation	18	1,507	98,264
Total Liabilities		1,052,325	2,193,944
Total liabilities and equity		3,506,913	4,546,919

The accompanying notes form an integral part of these consolidated financial statements

These financial statements have been approved by the Board of Directors on July 29, 2012

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

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Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)*Consolidated Income Statement

		Year ended		
	Note	March 31, 2012	March 31, 2011	March 31, 2010
INCOME				
Commissions		774,266	1,391,162	1,201,594
Depository and clearing fees		30,123	33,919	35,488
Interest on fixed deposits held as margin		256,869	198,412	238,491
Other Income	23	108,319	194,790	136,972
Total Income		1,169,577	1,818,283	1,612,545
EXPENSES				
Employee compensation and benefits	21	517,075	794,535	607,775
Exchange expenses and clearance fees		152,642	220,153	165,769
Brokerage to other broker-dealers		95,940	136,470	152,002
Communications and data processing		28,373	30,100	28,168
Bank interest and guarantee commission		2,651	1,751	7,616
Depreciation and amortization		29,672	67,692	37,398
Occupancy		60,907	75,728	75,210
Write back of provision		-	-	(57,500)
Provision for receivable from customers	22	25,700	38,300	-
Advertisement and business promotion		31,370	60,339	45,593
Other expenses	20	70,330	85,628	82,111
Total Expenses		1,014,660	1,510,696	1,144,142
Profit before income tax		154,917	307,587	468,403
Income tax expense	24	62,295	65,747	160,860
Profit for the year attributable to the Equity holders		92,622	241,840	307,543

The accompanying notes form an integral part of these consolidated financial statements

These financial statements have been approved by the Board of Directors on July 29, 2012

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

Consolidated Statement of Comprehensive Income

	Years ended March 31,		
	2012	2011	2010
Net income for the year	92,622	241,840	307,543
Other comprehensive income			
Available for sale financial assets			
- Net change in fair value	-	(9,855)	1,527
Foreign currency translation differences			
Currency translation differences	8,991	(1,185)	(5,657)
	8,991	(11,040)	(4,130)
Total comprehensive income for the year	101,613	230,800	303,413

The accompanying notes form an integral part of these consolidated financial statements

These financial statements have been approved by the Board of Directors on July 29, 2012

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)*Consolidated Statement of Changes in Equity

	Number of ordinary shares	Par value	Share Capital	Additional paid-in capital	Retained earnings	Currency translation	Fair Value adjustment	Total Equity
Balance as at April 1, 2009	51,894,182	10	518,942	28,968	1,256,688	6,610	7,554	1,818,762
Currency translation differences						(5,657)		(5,657)
Fair value gains, net of tax on available-for-sale financial assets							1,527	1,527
Net income directly recognised in equity					-	(5,657)	1,527	(4,130)
Profit for the year					307,543			307,543
Total recognised income and expense for the year					307,543	(5,657)	1,527	303,413
Balance as at March 31, 2010	51,894,182	10	518,942	28,968	1,564,231	953	9,081	2,122,175
Currency translation differences						(1,185)		(1,185)
Fair value gains, net of tax on available-for-sale financial assets							(9,855)	(9,855)
Net income directly recognised in equity					-	(1,185)	(9,855)	(11,040)
Profit for the year					241,840			241,840
Total recognised income and expense for the year					241,840	(1,185)	(9,855)	230,800
Balance as at March 31, 2011	51,894,182	10	518,942	28,968	1,806,071	(232)	(774)	2,352,975
Currency translation differences						8,991		8,991
Fair value gains, net of tax on							-	-

available-for-sale financial assets									
Net income directly recognised in equity					-	8,991	-		8,991
Profit for the year					92,622				92,622
Total recognised income and expense for the year					92,622	8,991	-		101,613
Balance as at March 31, 2012	51,894,182	10	518,942	28,968	1,898,693	8,759	(774)	2,454,588

The accompanying notes form an integral part of these consolidated financial statements

These financial statements have been approved by the Board of Directors on July 29, 2012

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

Table of ContentsConsolidated Statement of Cash Flow

		Year ended March 31,		
	Note	2012	2011	2010
Cash flows from operating activities				
Profit before income tax		154,917	307,587	468,403
Adjustments for				
Depreciation and amortization		29,672	67,692	37,398
Profit on sale of Available-for-sale securities		-	(23,603)	-
Provision on receivable from customers	8	25,700	38,300	(57,700)
Interest on fixed deposits with banks		(256,869)	(198,412)	(238,491)
Loss(profit) on Sale of Property Plant & Equipment	6	(39)	-	13
Interest and other financial costs		956	-	-
Interest Income		(6,567)	(16,278)	(5,566)
Dividend Income		(3,897)	(1,616)	(283)
Others		(592)	(9,582)	3,963
Movements in working capital				
Cash-restricted	12	1,387,563	(469,216)	(141,985)
Interest bearing deposits with banks		22,585	202,297	(188,164)
Deposits with clearing organizations		95,170	(62,814)	9,896
Receivable from broker-dealers and clearing organizations	9	(152,080)	47,304	(23,656)
Receivable from customers	8	81,072	(48,863)	(207,514)
Other assets	10	(132,647)	19,051	(3,857)
Payable to broker dealers and clearing organizations	9	(79,845)	124,539	(87,821)
Payable to customers		(587,768)	95,053	192,442
Accounts payable, accrued expenses, and other liabilities	19	(345,141)	111,278	42,370
Stock appreciation rights	16	(96,757)	(38,338)	88,907
Cash provided by operations		135,433	144,379	(111,645)
Interest received		6,567	16,278	5,566
Interest received on fixed deposits placed		266,692	202,731	269,218
Income taxes paid		144,341	(171,891)	(149,524)
Net cash provided by/(used in) by operating activities		553,033	191,497	13,615
Cash flows from investing activities				
Purchase of Available for Sale Securities: Marketable, At Market Value		133,644	(39,899)	(877)
Available for Sale Securities: Not readily marketable (at estimated fair value)		-	(57,818)	-
Dividend Income		3,897	1,616	283
Expenditure on furniture and equipment		(6,463)	(4,760)	(14,288)
Expenditure on Computer Software		(1,001)	(5,671)	(25,342)
Sale of Property Plant & Equipment		(39)	-	-
Net cash (used in) / provided in investing activities		130,038	(106,532)	(40,224)
Cash flows from financing activities				
Proceeds from loan from associate company		425,400	841,500	383,700

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Repayment of loan to associate company	(478,400)	(788,500)	(383,700)
Interest and other finance charges paid	(956)		
(Repayment of) / Proceeds from borrowings	-	(3,508)	(1,137)
Net cash provided by / (used in) financing activities	(53,956)	49,492	(1,137)
Effect of foreign exchange fluctuation on Cash and Bank balances	8,991	(1,184)	(5,657)
Net increase / (decrease) in cash and bank balance	638,106	133,273	(33,403)
Cash and bank balance at beginning of the period	281,486	148,213	181,616
Cash and cash equivalents at the end of the year	919,592	281,486	148,213
Cash and cash equivalents comprise of:			
Balances with Banks	126,087	281,486	148,213
Demand deposits (less than 3 months maturity)	752,500	-	-
Highly liquid investments	41,005	-	-
Total	919,592	281,486	148,213

The accompanying notes form an integral part of these consolidated financial statements

These financial statements have been approved by the Board of Directors on July 29, 2012

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

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Notes to the consolidated financial statements

1. *General information*

MF Global Sify Securities India Private Limited and its consolidated subsidiaries (hereinafter referred to as “MF” or “the group”) are engaged as a stock and commodity broker for foreign institutional investors (‘FIIs’), mutual funds, domestic financial institutions and retail investors. The group also acts as a depository participant and provides depository services to FIIs, mutual funds, domestic financial institutions and retail investors.

MF Global Sify Securities India Private Limited (“MF Global Sify”) was incorporated on December 29, 1999 in India as a private limited company under the Companies Act, 1956. The address of its registered office is 2nd Floor, C block, Modern Centre, 101 K. K. Marg, Jacob Circle, Mahalaxmi, Mumbai – 400 011. MF Global Sify has one wholly owned subsidiary in India, MF Global Commodities India Private Limited, which has one wholly owned subsidiary, MF Global Middle East DMCC incorporated in Dubai.

MF Global Overseas Limited (“MFG”) (formerly Man Financial Holdings Limited), a company incorporated in the United Kingdom holds 70.15% of MF Global Sify and Sify Technologies Limited (“Sify”) holds the balance, 29.85% of MF Global Sify’s equity shares. The ultimate holding company of MF Global Sify is MF Global Holdings Limited (a company incorporated in the state of Delaware, USA and listed on the New York Stock Exchange).

These consolidated financial statements have been approved for issue by the Board of Directors on July 29, 2012.

2. *Summary of significant accounting policies*

2.1. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the historical cost convention, on accrual basis as modified for certain financial instruments which are measured at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As on October 31, 2011, MF Global Holdings Ltd (the "ultimate parent company") filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. Such liquidation of the ultimate parent company has negatively impacted the scale of operations of the Company. On March 27, 2012, MF Global Overseas Limited & Sify Technologies Limited has entered into Share Purchase Agreements (SPA) with an international brokerage house for acquiring its 70.15% and 29.85% stake respectively in the Company. In respect of such acquisition, the Company has received necessary regulatory approvals and acquisition is expected to be completed shortly. The Management believes that this acquisition is expected to substantially revive the business of the Company.

2.1.1. Amendments and interpretations effective as at March 31, 2012 but not relevant

The following standards, amendments and interpretations to published standards are effective as at March 31, 2012 but are not relevant to the group's operations:

· IFRIC 3, (Revised) Business combinations.

· IFRS 8 – Operating Segments.

· IFRIC 13, 'Customer loyalty programmes'.

· IFRIC 15, 'Agreements for the construction of real estate'.

· IFRIC 16, 'Hedges of a net investment in a foreign operation'.

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IFRIC 18, Transfers of assets from customers.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'

IAS 17,(Amended) Leases;

IAS 24, (revised), 'Related party disclosures'

The Management has reviewed the above amendments and interpretation to standards and find that none of them are applicable or relevant to the activities of the company during the year.

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2.1.2. *Recent Accounting Pronouncements*

The following Standards and amendments are not yet mandatorily effective and have not been early adopted by the Company;

- IFRS 7 “Disclosures—offsetting financial assets and financial liabilities”.
- IFRS 9, “Financial instruments”,
- IFRS 10, “Consolidated financial statements”.
- IFRS 11, “Joint arrangements”.
- IFRS 12, “Disclosure of interests in other entities”.
- IFRS 13 Fair Value Measurement
- IAS 1 (Amended) Presentation of Financial Statements
- IAS-19 (Amended) “Employee benefits”
- IAS 27 (Revised 2011), “Consolidated and separate financial statements”
- IAS 28 (Revised 2011), “Investments in associates”
- IAS 32 “Offsetting financial assets and financial liabilities”

All the standards mentioned above are effective for annual periods beginning on or after January 1, 2013; earlier application is permitted. We are in the process of determining the impact of these amendments on our consolidated financial statements and the company does not believe that the adoption of these standards will have a material effect on its consolidated financial statements.

The Company is a subsidiary of MF Global Holdings Limited, a company incorporated in the State of Delaware, USA. MF Global Holdings Limited is listed on the New York Stock Exchange.

Domestic and foreign subsidiaries considered for consolidation are as follows:

	Country of incorporation	Percentage of holding as at March 31, 2012		Percentage of holding as at March 31, 2011	
Direct subsidiaries					
1) MF Global Commodities India Private Limited	India	100	%	100	%
Indirect Subsidiary					
1) MF Global Middle East DMCC	Dubai	100	%	100	%

The reporting date for all the above companies is March 31.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies so as to obtain economic benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The financial statements of the Group companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain / loss from such transactions are eliminated upon consolidation. These financial statements are prepared by applying uniform accounting policies in use at the Group.

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2.3. *Foreign currency translation*

a) *Functional and presentation currency*

Items included in the financial statements in each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Indian rupee is the functional currency of MF Global Sify and its domestic subsidiaries. US dollar is the functional currency of MF Global Middle East Limited DMCC located in Dubai. These consolidated financial statements are presented in Indian Rupee ("INR"), which is the group's presentation currency. The results and financial position are translated into presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated as at the closing rate at that balance sheet date;
- income and expenses for each income statement are translated at an average exchange rate; and
- all resulting exchange differences are recognised as a separate component of equity.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.4. *Cash and bank balance*

Cash and bank balance include cash in hand and at bank, and short-term deposits with an original maturity period of three months or less. The Group's exposure to credit risk is represented by the carrying value of the assets. Bank overdrafts that are an integral part of cash management and where there is a legal right of set-off against positive cash balances are included in cash and bank balance. Otherwise bank overdrafts are classified as borrowings.

2.5. *Restricted Cash*

Individual entities within the group are members of exchange, where cash or securities are deposited or bank guarantees are issued to conduct day-to-day trading and clearance activities. As required by the respective exchange, margin obligations towards clearing organizations are determined based on open positions by clearing organizations of the exchanges.

The group classifies bank fixed deposits as restricted cash on the balance sheet, when they are either placed with banks as margin for bank guarantees issued to clearing organisation or specifically earmarked as liens to clearing organizations towards margin.

2.6. *Interest bearing deposits with banks*

Interest bearing deposits with bank represent fixed term deposits placed with banks earning fixed rate of interest. At the balance sheet date, these deposits are measured at amortised cost using effective interest method.

2.7. *Receivables*

Receivables are recognized initially at fair value. They are subsequently measured at amortised cost using the effective interest method, net of provision for impairment, if the effect of discounting is considered material. The carrying amounts, net of provision for impairment, reported in the balance sheet approximate the fair value due to their short realisation period. A provision for impairment of trade receivables is established when there is objective evidence that Group will not be able to collect all amounts due according to the original terms of receivables. The provision is established at amounts considered to be appropriate, based primarily upon Group's past credit loss experience and an evaluation of potential losses on the receivables. The amount of the provision is recognized in the income statement. Receivables include receivables from broker-dealers and clearing organizations and receivables from customers, whereas the securities owned by customers are held as collateral for receivables.

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2.8. *Financial instruments*

Financial assets and financial liabilities are recognised in the consolidated balance sheet, when the Group becomes a party to the contractual provisions of an instrument, at fair value adjusted for transaction costs, except for financial assets classified at fair value through profit or loss where transaction costs are immediately recognised in the consolidated income statement. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognised when the obligation under the liability has been discharged or cancelled.

Financial assets principally comprise investments, receivable from broker dealers, clearing organisations, customers and other receivables, bank deposits and cash and bank balance. Financial liabilities principally comprise bank overdraft, and payables to broker dealers, clearing organisations, customers, other payables and accrued expenses.

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though there is a legal right to set off in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

2.9. *Financial assets*

The financial assets of the group are classified into following categories: loans and receivables and available for sale. The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The entity's loans and receivables comprise receivable from broker dealers, clearing organisations, customers and other receivables, investments in bank deposits and cash and bank balance and loans to staff classified under other assets in balance sheet (Notes 2.10, 2.11 and 2.12).

b) *Available for sale*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Available for sale consists of marketable securities, which are investments in units of mutual funds and are reported at fair values. Securities not readily marketable represent investments in equity shares of BSEL, obtained by MF Global Sify pursuant to the exchange transaction under the 'Bombay Stock Exchange (Corporatisation and Demutualization) scheme 2005'.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses, on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the consolidated income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market price at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by using valuation techniques.

MF assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the equity securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.10.

Table of Contents2.10. *Derivatives and Trading*

Financial assets at fair value through profit or loss are financial assets held for trading or upon initial recognition are designated by the group as at fair value through profit or loss. A financial asset is primarily classified as held for trading in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date.

2.11. *Property, plant and equipment*

Property, plant and equipment are stated at actual cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of premise and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use, while maintenance and repairs are charged to expense when incurred.

On April 1, 2010, the Company changed (with retrospective effect) its method of calculating depreciation on fixed assets, from the Written Down Value method ('WDV') to the Straight Line Method ("SLM") at the rates based on management's estimates of useful lives. Management believes that such change will result in a more appropriate presentation of financial statements.

The company adopted the straight line method (SLM) of depreciation so as to write off 100% of the cost of the assets based on management's estimates of the useful lives of all the assets. Estimated useful lives over which assets are depreciated are as follows:

Type of assets	Rates (SLM) adopted by the Company
Computer systems	3 years
Office equipments	3 years
Furniture and fixtures	5 years
Vehicles	4 years

Tangible assets costing less than Rs.15 are fully depreciated in the year of purchase.

Depreciation on addition of Property, plant and equipment is charged considering the month of purchase as full month.

The residual values and useful economic lives of premises and equipment are reviewed annually.

Depreciation on leasehold improvements is provided using the straight–line method over the shorter of the lease term or the useful life of the asset.

The fair value of property, plant and equipment recognized as a result of a business combination is an estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approach.

2.12.

Intangible assets

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

a) Software

Capitalised costs of computer software obtained for internal use represents costs incurred to purchase computer software from third parties. These capitalised costs are amortised over the period of three years on a straight–line basis, if the estimated useful lives are beyond one year. However, if the estimated useful life of an asset is short i.e. less than a year, it is charged to the income statement. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual values and useful economic lives of intangible assets are reviewed annually.

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The fair value of intangible assets acquired in the business combinations is expected to be derived from the use and realisable value.

b) Trading rights in Stock Exchange

BSE membership

MF Global Sify acquired The Stock Exchange, Mumbai (the 'BSE') membership card on December 6, 2000. During the year 2005-06, a scheme, The 'Bombay Stock Exchange (Corporatisation and Demutualization) Scheme 2005' ('the Scheme') was approved by the Securities Exchange Board of India with effect from August 19, 2005 which converted the BSE from an Association of Person to a corporate body in the name of Bombay Stock Exchange Limited ('BSEL').

In accordance with the scheme, the members of the erstwhile BSE, in exchange of their erstwhile BSE membership cards (rights) received membership rights of BSEL (i.e. right to trade on BSEL without placement of cash deposit) as well as equity shares of BSEL. (refer to note 5.2 – Membership in Exchanges)

DGCX membership

MF Global Middle East DMCC ('DMCC') is registered with and has been granted a trading license by the Dubai Multi Commodities Centre on February 7, 2006. The United Arab Emirates Securities and Commodities Authority issued the DMCC a license on June 18, 2006 to operate as a broker on the Dubai Gold and Commodities Exchange ('DGCX'). DMCC has been admitted as a member of the DGCX on September 1, 2006. DMCC has paid and capitalized US\$ 100 thousand towards the license of DGCX, which is assessed for impairment.

Trading rights in stock exchanges have indefinite useful life and are carried at cost less any accumulated impairment. They are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.13. *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that

are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Both external as well as internal indicators are considered by the group for impairment testing. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14.

Payables

Payables include payables to broker-dealers and clearing organizations and payable to customers. The payable to broker-dealers and clearing organizations are at fair values because of their nature of short-term maturity. Amount payable to customers include amounts due on cash and margin transactions. These are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15.

Borrowings – Bank overdraft

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.16.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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2.17. *Current and deferred income tax*

The current income tax charge is calculated on the basis of the tax laws in the countries where the group operates and generates taxable income. The tax rate of MF Global Sify and its Indian Subsidiaries is 32.445%. MF Global Middle East DMCC, the Dubai based subsidiary operates in a tax free jurisdiction. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences, if any, arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred income tax are recognized in the income statement, except when the tax relates to items charged or credited directly to equity, in which case the tax is also dealt with directly in equity.

2.18. *Employee benefits*

Employee benefits are accrued in the period in which the associated services are rendered by employees of the group. The group provides employees with retirement benefits through both defined benefit and defined contribution schemes. Contributions to the defined contribution scheme are charged to the consolidated income statement as they become payable in accordance with the rules of the scheme.

a) *Provident Fund*

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The group has no further obligations under the plan beyond its monthly contributions.

b)

Gratuity

The Gratuity Plan is a defined benefit plan that, at retirement or termination of employment, provides all employees with a lump sum payment, which is a function of the respective employee's salary and completed years of service with the group. The group provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme, the settlement obligation remains with the group, although the LIC administers the scheme and determines the contribution premium required to be paid by the group. The liability recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, if any, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government of India securities (representing risk-free interest rates) and that have terms to maturity approximating to the terms of the related gratuity liability.

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise.

c) *Share-based payment*

The group's employees participate in share-based payment plans; that is stock appreciation rights plan sponsored by MF and co-investment plan sponsored by Man Group plc. The group follows IFRS 2, "*Share Based Payment*" ("IFRS 2").

For Equity settled share based payments; the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date and expensed, together with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash settled share based payments; the fair value of the employee services received in exchange for the stock appreciation rights is recognised as an expense. The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value of each tranche of rights issued under the plan is expensed over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in the consolidated income statement.

The impact of non-market vesting conditions is included in assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement.

2.19. *Revenue Recognition*

a) *Commission, clearing fees, depository fee income*

Commission, clearing fees and related expenses are recorded on a trade-date basis as securities transactions occur. Depository fee income earned from customer is recognized in the period in which services are rendered.

b) *Dividend and Interest Income*

Dividend income is recognised when the right to receive the payment is established. Interest income is recognised on accrual basis using the effective interest rate method.

c) *Principal transactions*

Principal transactions include revenues from proprietary transactions. The Company records in Principal transactions the gains or losses on repurchase and resale agreements accounted for as sales and purchase transactions.

The Company does not separately amortize purchase premiums and discounts associated with proprietary transactions, as these are a component of the recorded fair value. Changes in the fair value of such securities are recorded as unrealized gains and losses within Principal transactions in the consolidated statements of operations.

d) *Other*

Other revenues consist of revenues earned in the normal course of operations and other non operating revenue. The same is accounted on accrual basis.

2.20. *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. All leases are classified as operating leases.

Under these arrangements, interest free deposits have been given to the lessor and are refundable at the end of lease term. The group recognises the security deposit at fair value using the market rate of interest for a deposit of similar term. The difference between the amount of security deposit and fair value is considered as prepaid lease rental, which is a non-financial asset.

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The security deposit initially recognised at fair value will accrete to the amount of security deposit received through accruals as interest income over the term of security deposit and prepaid lease rental will be charged to income statement as lease rental over the lease term.

3. *Financial risk management objectives and policies*

3.1. Financial risk factors

The group is exposed to a variety of financial risks. The principal risks are business risk, interest rate risk, price risk, foreign currency risk, credit risk and cash liquidity risk. Each of these risks is discussed in detail below. The group monitors financial risks on a consolidated basis. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The group has a risk management structure and processes to monitor, evaluate and manage the principal risks in conducting business.

Business Risk

The group's results of operations will be affected by many factors including economic, political and market conditions, broad trends in the brokerage and finance industry, changes in level of trading activity in the broader market place, price levels and price volatility in the derivative, equity and commodity markets, legislative and regulatory changes and competition, among other factors. In particular, the revenues of the group are substantially dependent on the volume of client transactions that it executes and clears, the volatility in the principal markets in which it operates and the prevailing interest rates.

Interest rate Risk

The group is exposed to interest rate risk primarily due to changes in interest rates on bank fixed deposits that impact the amount of interest income the group earns. Interest income is earned on fixed deposits placed with banks out of the group's funds and margin monies placed by clients. The group monitors the movement of interest rates to determine whether deposits need to be placed for a short, medium or long-term. Investments in fixed deposits placed with banks earn fixed rate of interest. As at March 31, 2012 the carrying value of bank deposits approximates fair value of these deposits as having original maturity of less than a year. The weighted average rate of interest earned on bank fixed deposits amounted to 7.73% p.a. and 6.49% p.a. during the year ended March 31, 2012 and March 31, 2011, respectively.

The group rolls-over fixed deposits on maturity based on the market condition and business needs; the weighted average remaining term of fixed deposits as at the balance sheet date is approximately 5.36 months and 7.35 months as at March 31, 2012 and March 31, 2011, respectively.

As at March 31, 2012, a 100 bps increase / decrease in interest rates, with all other variables held constant , would have resulted in an increase / decrease in Interest Income by Rs.12,129 (Previous year Rs. 18,064)

Price Risk

The group is subject to price risk in respect of investments held by the group in listed and unlisted equity shares and investment in money market mutual funds, which are held as available for sale securities. The impact of price risk on carrying value of these shares is not material compared to the size and operations of the group. Investments in money market funds are subject to minimum price risk due to their investment in instruments of highest safety call money market instruments. Highest Safety represents a credit rating equivalent of AAA.

Foreign Exchange Risk

The group has minimal transactional currency exposure arising from operations in currencies other than its functional currency.

Table of Contents**Credit Risk**

Credit risk is the possibility that the group may suffer a loss from the failure of clients or counterparties to meet their financial obligations at all or in a timely manner. The group acts as an agent in providing execution and clearing services for exchange-traded products. The group's clients' security activities are transacted on either cash or margin basis. In the event that a client fails to satisfy its obligations for cash transactions, the group may be required to purchase or sell financial instruments at the prevailing market price to fulfil the client's obligations. The clients are required to maintain margin accounts with collateral sufficient to support their open trading positions. Initially, the group establishes each client's margin requirements to levels it believes are sufficient to cover their open positions. However, later if the client's subsequent trading activity or adverse market conditions may cause the client's previous margin payments to be inadequate to support their trading obligations, the group then serves as the exchange clearing member for the trade and thus the group would cover any shortfall and thereby expose itself to potential losses.

The Credit exposure also arises in relation to fixed deposits placed with Banks. The group places fixed deposits with highly rated banks , which are reviewed on an on-going basis.

The group's policy is to place fixed deposits with credit worthy banks. The following table depicts that the majority of the group's fixed deposits are placed in highly rated banks :

	% of fixed deposits	
	2012	2011
Investment grade		
Highest safety	100	100
High safety	-	-
Adequate safety	-	-
	100	100

Highest Safety represents a credit rating equivalent of AAA, A1+, P1+; High Safety represents a credit rating equivalent of AA; and Adequate Safety represents a credit rating of A.

The credit exposure also arises in relation to the deposits placed with exchanges and clearing corporations, which is required as per the rules of the exchanges / clearing corporation for the company membership. The risk is inherent in our industry and is largely controlled and influenced by the regulatory bodies that impose rules on the exchanges and clearing houses.

All exchanges and clearing houses are financially sound organisations and the Company is therefore not exposed to significant credit risk.

Risk Management Process and Mitigation

The group has a separate risk management department, which monitors, evaluates and manages the risks. Client-wise position limits are set by the risk department based on the collateral placed by the respective clients. The risk department is responsible for making daily risk reports based on day-end positions of clients. Client orders are directed to the exchange only if the risk parameters set by the risk department are met. The risk department monitors client activity levels to ensure exposures are within the risk parameters of the group. Intra-day margin calls are made on the clients to reflect market movements on the client positions and may result in clients being asked to reduce positions. Generally, the group reserves the right to liquidate any client position immediately in the event of a failure to meet a margin call. For the year ended March 31, 2012 and March 31, 2011, group's bad debts as a percentage of broking income were 3.31% and 2.75%, respectively. For clearing business, the group generally mandates that initial margin be paid by the clients as deposit before they commence trading. The clients are required to provide collateral as margin to secure the performance of their obligations.

The group employs the following techniques to monitor the market environment and clients risk of default based upon the exposure created by their open positions:

- establishing risk parameters based on analysis of current and historical prices and price volatility; intra-day and end of day risk limit monitoring, including intra-day position and trade monitoring to identify any accounts trading beyond pre-set limits and parameters;
- market risk analysis and evaluation of adequacy of margin requirements for traded products;
- intra-day stress analysis for material market moves or accounts with material position taking and approval of margin requirements, limits and risk control of new instruments

Cash Liquidity Risk

In normal conditions, the group's core business of providing execution and clearing brokerage services is self-financing because the operations generate sufficient revenues to pay expenses as they become due. As a result, the group generally does not face a substantial cash liquidity risk – that is a risk that the group will be unable to raise cash quickly enough to meet payment obligations as they arise. The group has sufficient readily available liquid assets and credit facilities to ensure that the group can meet financial obligations as they become due under both normal and distressed market conditions. The group also has committed credit lines from banks to support the business in respect of settlement and intraday requirements. The group evaluates liquidity needs by analysing the impact of liquidity stress scenarios. The following table analyses the Group's financial assets, liabilities and commitments. The amounts disclosed are the contractual undiscounted cash flows.

Table of Contents**As at March 31, 2012**

	Within 6 months	6 months to 1 year	2 to 3 years	After 3 years	Total
Financial Liabilities					
Payable to broker-dealers and clearing organizations	184,659				184,659
Payable to customers	684,803				684,803
Accounts payable, accrued expenses and other liabilities	181,357				181,357
	1,050,819	-	-	-	1,050,819

	Within 6 months	6 months to 1 year	2 to 3 years	After 3 years	Total
The group has at its disposal following financial assets in addition to unused lines of credit					
Cash and bank balance	146,980				146,980
Cash-restricted	892,500	1,431,000	500		2,324,000
Interest bearing deposits with bank	49,277	21,500			70,777
Deposits with clearing organizations	-			78,613	78,613
Receivable from broker-dealers and clearing organizations	170,660				170,660
Receivable from customers	340,998				340,998
Available-for-sale securities Marketable, at market value	41,005				41,005
Interest accrued but not due	57,302				57,302
	1,698,722	1,452,500	500	78,613	3,230,335

As at March 31, 2011

	Within 6 months	6 months to 1 year	2 to 3 years	After 3 years	Total
Financial Liabilities					
Payable to broker-dealers and clearing organizations	264,504				264,504
Payable to customers	1,272,571				1,272,571
Borrowings	53,000	-	-	-	53,000
Accounts payable, accrued expenses and other liabilities	505,605				505,605
	2,095,680	-	-	-	2,095,680

	Within 6 months	6 months to 1 year	2 to 3 years	After 3 years	Total
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The group has at its disposal following financial assets in addition to unused lines of credit

Cash and bank balance	281,486			281,486
Cash-restricted	2,832,900	126,163		2,959,063
Interest bearing deposits with bank	86,523	6,839		93,362
Deposits with clearing organizations			173,783	173,783
Receivable from broker-dealers and clearing organizations	18,580			18,580
Receivable from customers	447,770			447,770
Available-for-sale securities Marketable, at market value	40,776			40,776
Interest accrued but not due	67,124			67,124
	3,775,159	133,002	-	173,783
				4,081,944

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3.2. Capital risk management

The objectives of the Group when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain minimal debt. Capital of the group is 'equity' as shown in the consolidated balance sheet. The exchange in which the group is a member has stipulated minimum net worth that must be maintained. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends to shareholders, issue new shares or sell assets to reduce debt. The group has embedded in its regulatory compliance framework the necessary test to ensure the continuous and full compliance with the net worth criteria set by the Exchange at each entity level. The group has complied with the net worth requirement at each entity level during the year and as at March 31, 2012 and March 31, 2011.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on the quoted market price at the balance sheet date. The quoted market price used for financial assets held by the group is the closing market price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques except for the investment in equity shares of Bombay Stock Exchange Limited.

The fair value of Investment in the equity shares of BSEL is provided by BSEL. The fair value provided by BSEL is used for valuing investment in shares for the purposes of computation of net worth of trading member.

However the Investment in BSEL have been sold by the company during the financials year March 31, 2011. Please refer to note 14 for further details.

The carrying value, less impairment provision of trade receivables, is assumed to approximate their fair values.

4. Critical accounting estimates and judgements

4.1. Critical accounting estimates

In the process of applying the group's accounting policies, management has made estimates and judgements in preparing the financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

MF makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of financial assets where there is no quoted price - This determination requires significant judgement particularly in determining changes in fair value since the last formal valuation. When the fair value of the financial asset cannot be measured reliably, it is measured at cost.

Impairment of non-financial assets - The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

Income taxes - There are transactions and calculations for which the ultimate tax determination is uncertain and would get finalized on completion of assessment by tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Defined benefit schemes - Gratuity Liability – The costs of and period-end obligations under defined benefit schemes are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. The group reviews its assumptions annually in conjunction with its independent actuary and considers this adjustment appropriate given the geographical and demographic profile of the scheme.

Share-based payment transactions - Share-based payments are measured at fair value by an independent valuer using the Black-Scholes model and expensed over the vesting period based on the group's estimate of shares that will eventually vest.

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4.2. Critical accounting judgements in applying the entity's accounting policy

4.2.1.

Revenue recognition

MF estimates that fixed deposits placed with banks will be held till maturity while determining the accrued interest, which is unpaid on the balance sheet date. In the event 1% of such deposit is withdrawn before its maturity date the Interest income will be lower by Rs. 1,197.

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*Intangible assets*5.1. *Software*

	Computer software	Web development costs	Total
Cost			
As at March 31, 2010	88,691	207,422	296,113
Additions	5,671	-	5,671
Disposals	-	-	-
Exchange difference	(2)	-	(2)
As at March 31, 2011	94,360	207,422	301,782
Additions	1,003	-	1,003
Disposals	-	-	-
Exchange difference	29	-	29
As at March 31, 2012	95,392	207,422	302,814
Accumulated amortisation and impairment			
As at March 31, 2010	60,505	207,422	267,927
Charge for the year	14,587	-	14,587
Disposals	-	-	-
Exchange difference	(3)	-	(3)
As at March 31, 2011	75,089	207,422	282,511
Charge for the year	12,386	-	12,386
Disposals	-	-	-
Exchange difference	31	-	31
As at March 31, 2012	87,506	207,422	294,928
Net book amount as at			
March 31, 2012	7,886	-	7,886
March 31, 2011	19,271	-	19,271

5.2. *Membership in exchanges*

Membership in exchanges consists of:

- BSE membership of Rs.1,257 and Rs 1,257 as at March 31, 2012 and 2011 respectively, and
- DGCX membership of Rs. 5,128 and Rs. 4,476 as at March 31, 2012 and 2011, respectively. DGCX membership value underwent a change due to foreign currency translation.

BSE membership

The carrying value of the erstwhile BSE membership card in the books of MF Global Sify was Rs.13,570 in August 2005. Consequent to the corporatisation of the BSE, MF Global Sify computed the fair value of the membership rights of BSEL and shares of BSEL as follows:

Membership rights of BSEL On the basis of the benefits which MF Global Sify would get over the current deposit based membership right of BSEL

Equity shares of BSEL On the basis of the fair value of the equity shares of BSEL determined by management

The fair value of the membership rights of BSEL is calculated by present value over 10 years of opportunity costs incurred on current deposit and admission fees required for new membership on the date of the balance sheet. The interest rate and present value is determined @ 8% p.a. On the balance sheet date the current deposit requirement is Rs. 1,000 and admission fees (non – refundable) is Rs. 250.

In accordance with the above methodology, an impairment charge arose in BSE membership rights of Rs. Nil for the year ended March 31, 2012 and March 31, 2011 respectively.

Table of Contents6. *Property, plant and equipment**

	Furniture and Fixtures	Computers Systems	Office equipments	Vehicles	Total
Cost					
As at March 31, 2010	8,317	177,927	37,780	13,101	237,125
Additions	50	4,498	212	-	4,760
Disposals	-	-	-	-	-
Exchange difference	(14)	(9)	(8)	(10)	(41)
As at March 31, 2011	8,353	182,416	37,984	13,091	241,844
Additions	160	5,652	635	-	6,447
Disposals	-	(553)	-	(10,369)	(10,922)
Exchange difference	189	123	124	128	564
As at March 31, 2012	8,702	187,638	38,743	2,850	237,933
Accumulated depreciation					
As at March 31, 2010	4,011	142,704	13,375	6,876	166,966
Charge for the year	2,739	25,595	20,233	4,506	53,073
Disposals	-	-	-	-	-
Exchange difference	(7)	(7)	(4)	(4)	(22)
As at March 31, 2011	6,743	168,292	33,604	11,378	220,017
Charge for the year	1,555	10,497	4,774	1,838	18,664
Disposals	-	(553)	-	(10,369)	(10,922)
Exchange difference	(105)	(74)	(393)	(275)	(847)
As at March 31, 2012	8,193	178,162	37,985	2,572	226,912
Net book amount as at					
March 31, 2012	509	9,476	758	278	11,021
March 31, 2011	1,610	14,124	4,380	1,713	21,827

Change in estimates

On the basis of comprehensive evaluation on April 1, 2010, the Group has changed its method of calculating depreciation on fixed assets from the Written Down Value method ('WDV') to the Straight Line method ("SLM") at the revised rates based on management's estimates of useful lives of the assets.

In view of such changes, the charge of depreciation for the current year is Nil (Previous year higher by Rs. 31,395 (of which Rs.28,180 pertains to earlier periods upto March 31, 2010 and Rs. 3,232 pertains to the Previous year.) and the profit for the year is lower by Nil (Previous Year Rs.31,395.) Correspondingly, the net block of the Fixed Asset is lower by Nil (Previous Year Rs. 31,395).

As it is impracticable to estimate the effect of such changes on depreciation for the future periods, the same is not disclosed.

Table of Contents7. *Deferred income tax*

The movement in deferred tax assets and liabilities during the respective years is as follows:

	2012	2011
At April 1	79,476	17,901
Property, plant and equipment	1,511	10,479
Provision on receivable from customers	7,870	12,765
Gratuity	(27)	891
Stock appreciation rights	(31,881)	24,404
Provision for bonus	(13,033)	12,106
Stamp duty	(1,628)	930
At March 31	42,288	79,476
Comprised Of:		
Deferred tax assets	42,288	79,476
Deferred tax liabilities	-	-
	42,288	79,476

An analysis of the gross deferred tax asset and liability balances is as follows:

	2012	2011
Deferred tax assets:		
Property, plant and equipment	12,819	11,308
Provision on receivable from customers	27,999	20,129
Stock appreciation rights	-	31,881
Provision for bonus	-	13,033
Stamp duty	920	2,548
Gratuity	550	577
	42,288	79,476

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	March 31, 2012	March 31, 2011
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	41,739	33,985
– Deferred tax asset to be recovered within 12 months	549	45,491
	42,288	79,476

	Property Plant and Equipment	Provision on receivable from customers	Stock appreciation rights	Provision for Bonus	Gratuity	Stamp Duty	Grand Total
Deferred tax assets: Opening Balance as on April 1, 2011	829	7,364	7,477	927	-	1,618	18,215
Charged / (Credited) to Other Comprehensive Income	10,479	12,765	24,404	12,106	577	930	61,261
Effect of Change in Tax rates As at March 31, 2011	11,308	20,129	31,881	13,033	577	2,548	- 79,476
Charged / (Credited) to Other Comprehensive Income	1,511	7,870	(31,881)	(13,033)	(28)	(1,628)	(37,188)
As at March 31, 2012	12,819	27,999	-	-	549	920	42,288

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8.1.1. Receivables from customers

Receivables from customers that are due for less than six months are generally not considered impaired. In respect of receivables that are neither past due nor impaired, as at the reporting date, there are no indications that the customers will not meet their payment obligations.

As at March 31, 2012, receivables of Rs. 85,310 (March 31, 2011: Rs. 10,193) were past due but not impaired. There are no indications that these customers will not meet their payment obligations. The ageing analysis of receivables, which are not impaired, is as follows:

	As at March 31,	
	2012	2011
up to 6 months	255,688	437,577
more than 6 months	85,310	10,193
	340,998	447,770

Receivables are tested individually for impairment. Based on such testing as at March 31, 2012, receivables of Rs. 86,300 (March 31, 2011: Rs. 60,600) were impaired and provided for. The amount of the provision was Rs. 86,300 as at March 31, 2012 (March 31, 2011: Rs. 60,600).

The ageing of these receivables is as follows:

	As at March 31,	
	2012	2011
up to 6 months	17,525	45,796
more than 6 months	68,775	14,804
	86,300	60,600

The carrying amounts of the group's receivables are denominated in Indian Rupees (INR):

As at March 31,

2012	2011
340,998	447,770
340,998	447,770

Movements on the group's provision for impairment of trade receivables are as follows:

	As at March 31,		
	2012	2011	2010
As at the beginning of the year	60,600	22,300	80,000
Provision for impairment	25,700	38,300	-
Write back of provision	-	-	(57,700)
As at the closing of the year	86,300	60,600	22,300

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The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Trade receivables include brokerage aggregating to Rs. 12,019 from Institutional Clients, invoiced on account of trades executed on their behalf. While these parties, with whom regular business has discontinued, have neither 8.1.2. disputed nor denied such claims. However the amounts have remained outstanding as the Institutional Clients are awaiting clarity about the change of ownership of the Company. The Management is confident of recovery of these amounts.

9. *Receivable from and payable to broker-dealer and clearing organisations*

Amounts receivable from and payable to broker-dealers and clearing organizations (non-interest bearing) within six months from the balance sheet date consist of the following:

	As at March 31			
	2012		2011	
	Receivable	Payable	Receivable	Payable
Clearing organizations				
- Unsettled trade	159,809	29,965	8,208	38,638
Broker-dealer	10,851	154,694	10,372	225,866
Total	170,660	184,659	18,580	264,504

10. *Other assets*

	As at March 31,	
	2012	2011
Prepaid expenses	11,553	14,544
Advance tax (net of provisions)	134,726	168,746
Deposits	28,900	32,663
Loans and advances (to staff)	6,110	12,594
Gratuity Trust	3,994	2,228
Others*	23,716	15,025
	208,999	245,800

* includes Advances to vendors towards expenses, delayed payment charges from clients, withholding tax recoverable, etc.

Table of Contents11. *Cash and Bank Balance*

Cash and bank balance consist of:

	As at March 31,		
	2012	2011	2010
Cash in hand	11	0	32
Cash at bank	146,969	281,486	148,181
	146,980	281,486	148,213

12. *Cash – restricted*

Restricted cash as of March 31, 2012 includes fixed deposits of Rs. Nil (Rs. 100,000 as of March 31, 2011) placed with banks as margins for bank guarantees issued to clearing organizations and fixed deposits of Rs.2,324,000 (Rs. 2,859,062 as of March 31, 2011) specifically earmarked as liens to clearing organizations towards margins.

Excess margin placed in the form of fixed deposits or bank guarantees can be withdrawn by giving one-day notice to the clearing organizations of the exchange.

Bank guarantees outstanding are Rs. Nil as at March 31, 2012 (March 31, 2011: Rs. 200,000). Bank guarantees are generally provided to the Exchanges for the purposes of Margins. An exchange may invoke these guarantees if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

13. *Interest bearing deposits with banks*

Interest bearing deposits with bank represent fixed term deposits placed with banks earning fixed rate of interest. At the balance sheet date, these deposits are measured at amortised cost using effective interest method.

The net decrease in interest bearing deposits with banks by Rs. 657,648 during the year is primarily on account of cash money repaid to customers.

14. *Available for sale securities*

Available for sale securities include following:

	As at March 31,			
	2012		2011	
(a) Equity Shares (Quoted)	Quantity	Amount	Quantity	Amount
Patni Computers Systems Limited.	-	-	18,096	8,633
Piramal Health Care Limited	-	-	4,888	2,037
Siemens Limited	-	-	34,171	30,106
Total (a)	-	-	57,155	40,776
Templeton India - Dividend reinvestment plan	4,100,471	41,005	9,286,667	92,868
Total (b)	4,100,471	41,005	9,286,667	92,868

The fair value of unlisted securities is determined based on the valuations provided by Bombay Stock Exchange Limited. This value is considered as fair value of investment in the net worth computation of trading member.

Table of Contents15. *Share capital and Dividend distribution*

	As at March 31,	
	2012	2011
Authorised capital		
70,000,000 ordinary shares of Rs.10/- per share	700,000	700,000

As at March 31, 2012, 51,894,182 ordinary shares (March 31, 2011: 51,894,182 ordinary shares) of Rs.10/- each, issued and fully paid-up aggregating to Rs.518,942 (March 31, 2012 Rs. 518,942)

Dividend distribution

Dividends payable to equity shareholders are based on the net income available for distribution as reported in the stand-alone financial statements of MF Global Sify prepared in accordance with Indian GAAP. The net income in accordance with IFRS may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders.

Under the Companies Act, 1956 dividends may be paid out of the profits of a Company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10%, depending on the dividend percentage to be declared in such year. Dividends declared are subject to a dividend distribution tax of 16.22%.

16. *Share-based payments**Employee's Stock Appreciation Scheme*

The group had introduced the 'Stock Appreciation Rights Plan 2006' ('SARs Plan 2006'), 'Stock Appreciation Rights Plan 2007' ('SARS Plan 2007') and 'Stock Appreciation Rights Plan 2008' ('SARS Plan 2008') during the years ended March 31, 2007, March 31, 2008 and March 31, 2009, respectively, and granted stock appreciation rights to eligible employees. The group believes that such awards better align the interests of its employees with those of its shareholders. As per the SARS Plan, the stock appreciation rights shall vest with the employee and shall be settled in cash on the day following the fourth anniversary of the grant date. The Board of Directors of the Company has preponed the vesting date of the SARS Plan 2007 and SARS Plan 2008 from March 31, 2011 and March 31, 2012 to July 31, 2010 and March 31, 2011, respectively. The exercise price for the grant is Rs. Nil. SARs are accounted as

cash settled share-based payments.

The group has granted a total of 711,247 SARs under the SARs Plan 2006, 809,500 SARs under the SARs Plan 2007 and 1,386,000 SARs under the SARs Plan 2008 to the employees. The weighted-average fair value of SARs as at March 31, 2011 is Rs 70 per unit (2010: Rs. 86 per unit) for SARs Plan 2006, SARs plan 2007 and SARs plan 2008, respectively. The forfeited SARs are reissued to the other eligible employees, where the vesting period is from the date of reissue to the vesting date as per the initial grant of SARs. The Company has carried out an independent fair valuation of the stock appreciation rights as of March 31, 2011. The total unrecognized compensation costs relating to SARs to be recognized in the future over the remaining vesting period is estimated to be Rs. Nil and Rs. 111,718 as of March 31, 2011 and March 31, 2010 respectively.

The fair value of each SARs is estimated on the date of grant using a Black-Scholes valuation model that uses the following variables:

Stock Price: Current value of the underlying asset is derived through a valuation exercise, wherein the profit earning capacity has been considered as an appropriate method of valuation.

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The valuation has been undertaken based on the methodology of Price Earning Capacity Value (PECV Method) for the valuation of SARS every year.

PECV Method requires determination of three parameters, which are relevant to the company whose shares are being valued. These are

Corporate tax rate – Current period tax rate is considered as corporate tax rate.

Future maintainable profit – Future maintainable profit is derived based on simple average adjusted PBT for each year. From the future maintainable profit, corporate tax at the corporate tax rate has been deducted to derive future maintainable profit after tax.

Expected rate of return – Expected rate of return is determined based on the average price earnings multiple of comparable companies on the basis of their 12 months average market prices.

The above parameters are approved by the Board of Directors. In accordance of this, an independent valuer has provided the valuation certificate at Balance Sheet date.

In the valuation as at March 31, 2011 the corporate tax rate is considered at 32.445% and Expected rate of return is determined at 7.81%.

Changes in number of SARS representing stock options outstanding were as follows:

	As at March 31,	
	2011	2010
As at the beginning of the year	- 2,879,747	2,898,747
Granted during the year	-	-
Exercised	- (2,558,394)	-
Forfeited	- (321,353)	(120,008)
Reissued	- -	100,508
Lapsed	-	-
As at the end of the year	- -	2,879,747
Exercisable at the end of the year	- -	-
Approximate remaining vesting period in years	- -	1.24

17. *Borrowings*

Aggregate maturities of the borrowings are as follows:

	As at March 31,	
	2012	2011
On demand or within one year	-	53,000
In one to three years	-	-
In three to five years	-	-
	-	53,000

Table of Contents18. *Employee benefit obligation*

	Years ended March 31,		
	2012	2011	2010
Gratuity	1,507	1,432	856
Stock appreciation rights	-	96,832	135,746
	1,507	98,264	136,602

The movement in the defined benefit obligation of gratuity over the period is as follows:

	Years ended March 31,		
	2012	2011	2010
Opening defined benefit obligation	17,403	9,861	9,700
Current service cost	2,640	2,879	2,853
Interest cost	1,359	715	679
Actuarial losses/ (gains)	(1,829)	3,948	(3,373)
Benefits paid	(836)	-	-
Closing defined benefit obligation	18,737	17,403	9,859

The movement in the fair value of plan assets of the year is as follows:

	Years ended March 31,		
	2012	2011	2010
Beginning of year	18,198	12,237	11,200
Expected return on plan assets	1,728	1,343	1,025
Actuarial (losses)/gains	(81)	(278)	11
Employer contributions	2,214	6,732	-
Benefits paid	(836)	(1,836)	-
Closing fair value of plan assets	21,223	18,198	12,236

The amounts recognised in the income statement in respect of gratuity are as follows:

	Years ended March 31,		
	2012	2011	2010
Current service cost	2,640	2,879	2,853
Interest cost	1,359	715	679
Actuarial loss	(1,747)	6,061	(3,384)
Expected return on plan asset	(1,728)	(1,344)	(1,025)

524 8,311 (877)

The principal actuarial assumptions used were as follows:

	Years ended March 31,		
	2012	2011	2010
Discount rate	8.00 %	8.00 %	7.00 %
Expected return on plan assets	9.15 %	9.25 %	9.25 %
Long term rate of compensation increase	6.00 %	6.00 %	6.00 %
Mortality rates at various age groups are taken as per 1994-96 Life Insurance Corporation (LIC) Ultimate table			

19. *Accounts payables, accrued expenses and other liabilities*

	As at March 31,		
	2012	2011	2010
Accruals	55,360	41,758	41,489
Withholding tax payable	15,868	85,062	71,382
Bonus payable	16,567	255,242	157,410
Other payables	93,562	123,543	124,046
Total	181,357	505,605	394,327

Table of Contents20. *Other expenses*

	Year ended March 31,		
	2012	2011	2010
Professional fees	11,085	12,087	11,059
Travelling and conveyance	9,272	18,901	16,068
Books & periodicals, postage, printing and stationary	28,533	29,120	25,817
Loss on account of error trades (net)	2,583	10,923	12,602
Repairs & maintenance	424	818	145
Currency loss on revaluation of current	9,205	-	-
Insurance premium	1,590	1,248	963
Others	7,638	12,531	15,457
Total	70,330	85,628	82,111

21. *Employee benefit expense*

	Year ended March 31		
	2012	2011	2010
Salaries and bonus	505,907	670,766	508,264
Defined contribution plans	3,992	4,047	3,452
Defined benefit plans	2,169	9,134	159
Staff welfare expenses	5,007	14,677	6,796
Share-based compensation expense	-	95,911	89,104
	517,075	794,535	607,775

Share based compensation expense has increased during the year due to increase in fair value of SARS .

22. *Provision for doubtful debts*

The Company's allowance for doubtful accounts is based upon management's continuing review and evaluation of factors such as collateral value, aging and the financial condition of the customers. The allowance is assessed to reflect the best estimate of probable losses due to client defaults that have been incurred as of the balance sheet date. Any changes in the estimate are included in the operating results for the current period. In circumstances where a specific customer's inability to meet its financial obligation is known, the Company records a specific provision against accounts receivable to reduce the receivable to the amount that it reasonably believes will be collected. The bad debt expense aggregating to Rs. 25,700 is recognised for the years ended March 31, 2012 (March 31, 2011: Rs 38,300).

23. *Other income*

	Year ended March 31,		
	2012	2011	2010
Profit on sale of available-for-sale securities	-	23,603	-
Delayed payment charges (*)	23,219	60,014	24,999
Research fees	8,851	-	3,072
Referral fees (**)	46,000	57,745	51,160
Interest	6,567	16,278	5,566
Dividend	3,897	1,617	283
Currency fluctuation gain	119	912	7,960
Expenses reversal (***)	-	-	17,567
Principal trading activity	3,493	4,056	-
Miscellaneous income	16,173	30,565	26,365
	108,319	194,790	136,972

(*) Delayed payment charges represents the penal charges levied to clients on account of delay in settlement of their trade related obligations.

(**) *Referral fees consist of payments received for introducing clients to other MF Global associated companies.*

(***) *The amount of Rs 17,567 was provided in year 2009 on account of group recharges from MF Global Holdings Limited (formerly known as MF Global Limited) has been reversed during the year 2010, on account of mutual agreement between the stakeholders.*

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24.

Income tax expense

	Year ended March 31,		
	2012	2011	2010
Current tax	25,106	127,322	122,679
Deferred tax (Note 7)	37,189	(61,575)	38,181
	62,295	65,747	160,860

The tax on MF's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended March 31,		
	2012	2011	2010
Net income before taxes	154,917	307,587	468,403
Enacted tax rates in India	32.445 %	33.220 %	33.990 %
Computed tax expense	50,263	102,180	159,210
Income exempt from tax:			
Dividend	(1,264)	(536)	(96)
Non-deductible expenses:			
Contribution to co-investment plan	-	734	751
Others including donations, IT interest etc.	773	678	1,228
Recharges by parent and affiliate companies	-	-	980
Excess Provisions for earlier years reverse back in current year	7,207	(26,491)	-
Income charged at lower rate	-	(7,171)	-
(Gain) / loss in subsidiaries	(442)	(4,209)	(3,294)
Others	5,758	562	2081
Income taxes recognized in the statement of income	62,295	65,747	160,860

25.

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

As at March 31, 2012

	Loans and receivables	Available for sale	Total
Assets as per Balance Sheet			

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Cash and bank balance	146,980		146,980
Cash-restricted	2,324,000		2,324,000
Interest bearing deposits with bank	70,777		70,777
Deposits with clearing organizations	78,613		78,613
Receivable from broker-dealers and clearing organizations	170,660		170,660
Receivable from customers	340,998		340,998
Available-for-sale securities:			
Marketable, at market value		41,005	41,005
Not readily marketable (at estimated fair value)		-	-
Interest accrued but not due	57,302		57,302
Other assets	208,999		208,999
	3,398,329	41,005	3,439,334

	Other financial liabilities	Total
Liabilities as per Balance Sheet		
Payable to broker dealers and clearing organizations	184,659	184,659
Payable to customers	684,802	684,802
Borrowings	-	-
Accounts payable, accrued expenses and other liabilities	181,357	181,357
	1,050,818	1,050,818

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As at March 31, 2011

	Loans and receivables	Available for sale	Total
Assets as per Balance Sheet			
Cash and bank balance	281,486		281,486
Cash-restricted	2,959,063		2,959,063
Interest bearing deposits with bank	93,362		93,362
Deposits with clearing organizations and others	173,783		173,783
Receivable from broker-dealers and clearing organizations	18,580		18,580
Receivable from customers	447,770		447,770
Available-for-sale securities:			
Marketable, at market value		40,776	40,776
Not readily marketable (at estimated fair value)		92,868	92,868
Interest accrued but not due	67,124		67,124
Other assets	251,868		251,868
	4,293,036	133,644	4,426,680
		Other financial liabilities	Total
Liabilities as per Balance Sheet			
Payable to broker-dealers and clearing organizations	264,504		264,504
Payable to customers	1,272,571		1,272,571
Borrowings	53,000		53,000
Accounts payable, accrued expenses and other liabilities	505,605		505,605
	2,095,680		2,095,680

The carrying amounts reported in the balance sheet for cash and cash equivalents, receivables, amounts due to or from related parties, accounts payable and other liabilities approximate their respective fair values due to their short maturity.

During October 2010, Sify Technologies Limited, the minority shareholder of the Company holding 29.85 percent of the outstanding shares of the Company, requested the Company's Board of Directors to reconsider certain costs charged to the Company by MF Global Holdings Limited (the majority shareholder) and its affiliated and associated group companies, who hold 70.15 percent of the outstanding shares of the Company. These charges are currently recorded in the financial statements of the Company for year ended March 31, 2008 aggregating to Rs. 43,479 and March 31, 2009 aggregating to Rs. 15,375. The resolution of this matter between the shareholders remains uncertain and any financial adjustment that may arise is not presently known. Any financial adjustment that may arise on resolution of the said matter would be expected to be handled prospectively and therefore would be reported in the period in which it is resolved.

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26. Merger of Subsidiary Company

The Scheme of Amalgamation (the ‘Scheme’) of MF Global Capital India Private Limited (‘MFGCIPL’) [the Transferor Company] with MF Global Sify Securities India Private Limited (‘MFGSSIPL’) [the Transferee Company] was sanctioned by the Bombay High Court on March 25, 2011 and the order sanctioning the Scheme was filed with the Registrar of Companies at Mumbai on April 15, 2011 (‘the Effective Date’).

Accordingly, pursuant to the Scheme, the undertaking of the erstwhile MFGCIPL (comprising all of its properties and assets (whether movable or immovable, tangible or intangible) such as security deposits, licenses, permits, quotas, approvals, leases, tenancy rights, permissions, incentives if any, and all other rights, title, interests, contracts, consent, approvals or powers of every nature and descriptions shall without any further act, instrument or deed stand transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company, free from all encumbrances, but subject to subsisting charges and pledges, if any. All debts, liabilities, contingent liabilities, financial commitments, duties and obligations pertaining to the Transferor Company, whether provided for or not in the books of account of the Transferor Company and whether disclosed or undisclosed in its Balance Sheet has been transferred to and vested with MFGSSIPL retrospectively with effect from April 1, 2010 (the ‘Appointed Date’). The Scheme has accordingly been given effect to in these financial statements.

27. Commitments and contingencies

a) Contingent Liabilities

(i) Guarantee given by scheduled banks on behalf of the company in favour of commodity Exchange Rs. Nil (March 31, 2011 Rs. 200,000).

(ii) Claims against the company not acknowledged as debts Rs. 15,030 (March 31, 2011 Rs. 15,030). In the said claim, based on the facts and merits of the case, the Company is hopeful of succeeding and as such does not expect any significant liability to crystallize.

b) Operating lease commitments – MF as lessee

The group has obligations under long term operating leases with initial non-cancellable terms in excess of one year. Aggregate annual rentals for office space as of March 31, 2012, are approximately as listed below:

As at March 31,	
2012	2011

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Not later than 1 year	13,728	59,409
Later than 1 year and not later than 5 years	12,821	20,346
Later than 5 years	-	-
Total minimum lease commitments	26,549	79,755

Rent expense for the current year aggregated to Rs. 44,273 (2011: Rs. 59,979) and is included in the occupancy expense line item on the consolidated statements of income.

c)

Contingencies

The group is a member of various exchanges that trade and clear securities, commodities and/or futures contracts. Associated with its membership, the group may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the group's exposure would be restricted only to the extent of amounts receivable from the exchange and would arise only if the exchange had previously exhausted its resources. However, based on its experience, the company expects the risk of loss to be remote.

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28. *Capital commitment*

Estimated amount of contract (net of advances) remaining to be executed on capital account and not provided for is Rs. 400 (March 31, 2011: Rs. 314)

29. *Related party transactions*

The share capital of MF is held jointly by MF Global Overseas Limited and Sify Technologies Limited. The ultimate holding company of MF Global Sify is MF Global Holdings Limited.

a) **Related party relationship**

Related parties where control exists:

Nature of relationship	Related party
Holding enterprises:	MF Global Overseas Limited
Ultimate Holding company:	MF Global Holdings Limited
Party having substantial interest:	Sify Technologies Limited

Other related parties with whom transactions have taken place:

Nature of relationship	Related party
Subsidiary Companies:	MF Global Commodities India Private Limited MF Global Middle East DMCC
Fellow subsidiary Companies: (where transactions exist)	MF Global India Private Limited MF Global Holdings HK Limited MF Global Hong Kong Limited MF Global Australia Limited MF Global Singapore Limited MF Global Finance & Investment Services India Private Limited MF Global Centralised Services India Private Limited MF Global UK Limited

MF Global Inc (DE)

MF Global Futures Trust Company Limited

Key management personnel:

Mr. Vineet Bhatnagar
Mr. Rajendra Bhambhani
Mr. Randy MacDonald

(resigned w.e.f. November 28, 2011)
Michael Charles Blomfield

(appointed w.e.f. June 22, 2011 and resigned w.e.f. November 28, 2011)
Abizer Diwanji

(appointed w.e.f. November 28, 2011)

Table of Contents***b) Transactions involving services***

	Year ended March 31,		
	2012	2011	2010
Services provided by MF to :			
Holding Companies			
Reimbursement of expenses	549	-	539
Fellow subsidiary Companies			
Referral fees	48,449	57,750	51,162
Research fees	173		
Brokerage income	18,673	5,333	
Reimbursement of expenses	3,676	5,165	5,646
	71,520	68,248	57,347
Services received by MF from :			
Holding Companies			
Bank guarantee commission	-	72	497
Insurance premium	-	-	(17,567)
Fellow subsidiary Companies			
Lease line charges			
IB commission expense	4,001	4,691	2,006
Interest expense	956	1,562	888
Membership & subscription	2,197	6,368	3,266
	7,154	12,693	(10,910)
Loan (taken) and repaid (Net)	5,300	(5,300)	383,700

c) Key management compensation

	Year ended March 31,		
	2012	2011	2010
Salaries and other short-term employee benefits	138,362	122,410	71,361
Other long-term benefits (Co-investment plan)	-	-	2,208
Share-based payments	-	-	19,653
	138,362	122,410	93,222

d) Year-end balances arising from transactions involving services

Due To Related Parties		
MF Global Holdings Ltd.	36,985	32,857
MF Global UK Ltd.	33,662	57,953
MF Global Inc. DE	9,220	6,372

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MF Global Holdings USA Inc.	2,308	2,014
MF Global Singapore Pte Ltd.	206	1,028
MF Global Holdings HK Ltd.	243	-
MF Global Finance and Investment Services India Private Limited	-	53,000
MF Global Australia Limited	143	125
	82,767	153,349

Due from Related Parties

MF Global Inc. DE	256	179
MF Global Mauritius Pvt. Ltd.	153	1,116
MF Global Singapore Pte Ltd.	5,014	1,243
MF Global Holdings HK Ltd.	-	109
MF Global HK Ltd.	308	269
MF Global UK Ltd.	6,953	7,765
MF Global Futures Trust Company Limited	13	-
MF Global India Pvt. Ltd.	1,550	1,153
MF Global FXA Securites Limited	231	200
	14,478	12,034

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As stated in Note – 1, MF Global Holdings Ltd (the “ultimate parent company”) filed voluntary petitions for relief 29.1. under Chapter 11 of the United States Bankruptcy Code. Meanwhile, the affairs of other affiliated Company of MF Global Group are being managed by the Administrator / Liquidators.

The Company has reconciled outstanding receivables / payables with the related parties on monthly basis in the ERP system till September 30, 2011. In view of the above petitions, the Company has not obtained confirmation of outstanding balances with related parties as at March 31, 2012. There were no significant transactions with such parties after the date of filing such petitions. Under these circumstances, the Financials Statements have been prepared from the book balances which are subject to reconciliation / confirmations from the respective parties. Moreover, MF Global Overseas Limited and Sify Technologies Ltd. have entered into Share Purchase Agreements (SPA) with an international brokerage house for acquiring its 70.15% and 29.85% respectively. In respect of such acquisition, the Company has received necessary regulatory approvals and acquisition is expected to be completed shortly.

For and on behalf of the Board

Vineet Bhatnagar
Managing Director

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Item 19. Exhibits

Number Description

- 1.1 Amended Articles of Association of Sify Technologies Limited. (1)
- 1.2 Memorandum of Association of Sify Technologies Limited. (2)
- 1.3 Amendment of Memorandum of Association. (3)
- 2.1 Deposit Agreement, dated as of October 18, 1999, among Sify Technologies Limited, Citibank, N.A. and holders from time to time of American Depository Shares evidenced by American Depository Receipts issued thereunder (including, as an exhibit, the form of American Depository Receipt). (4)
- 2.2 Amendment No. 1 to Deposit Agreement among Sify Technologies Limited, Citibank, N.A. and holders from time to time of American Depository Shares evidenced by American Depository Receipts issued thereunder (including, as an exhibit, the form of American Depository Receipt). (4)
- 2.3 Amendment No. 2 to Deposit Agreement among Sify Technologies Limited, Citibank, N.A. and holders from time to time of American Depository Shares evidenced by American Depository Receipts issued thereunder (including, as an exhibit, the form of American Depository Receipt). (5)
- 2.4 Subscription Agreement dated November 10, 2005 between Sify Technologies Limited and Infinity Capital Ventures, LP. (9)
- 2.5 Standstill Agreement dated November 10, 2005 by and among Sify Technologies Limited, Infinity Capital Ventures, LP and Mr Raju Vegesna. (9)
- 2.6 Shareholders' Agreement dated December 20, 2005 between Sify Technologies Limited, Infinity Satcom Universal (P) Limited, and Sify Communications Limited(erstwhile subsidiary). (10)
- 2.7 Shareholders' Agreement dated November 25, 2005 between Sify Technologies Limited and Man Financial. (11)
- 4.1 Associate Stock Option Plan 2000 (6)
- 4.2 Associate Stock Option Plan 2002 (6)
- 4.3 Associate Stock Option Plan 2005 (12)
- 4.4 Associate Stock Option Plan 2007 (14)
- 4.5 Form of Indemnification Agreement. (7)
- 4.6 License Agreement for Provision of Internet Service, including Internet Telephony dated as of April 1, 2002 by and between Sify Technologies Limited and the Government of India, Ministry of Communications and

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Information Technology, Department of Telecommunications, Telecom Commission. (3)

4.7 Bank Guarantee, dated as of November 4, 1998. (2)

4.8 Agreement, dated November 10, 2004, between Sify Technologies Limited, Satyam Computer Services Limited, SAIF Investment Company Limited and Venture Tech Solutions Pvt. Ltd. (8)

4.9 Subscription Agreement dated March 24, 2008 between Sify Technologies Limited and Infinity Satcom Universal Private Limited. (13)

4.10 Scheme of Amalgamation between Sify Communications Limited with Sify Technologies Limited and their respective shareholders (15)

4.11 Subscription agreement dated October 22, 2010 between Sify Technologies Limited and Mr Ananda Raju Vegesna, Representative of the entities and affiliates in India of Mr Raju Vegesna, Chairman and Managing Director of the company. (16)

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Amendment to subscription agreement dated September 7, 2011 between Sify Technologies Limited and Mr
4.12 Ananda Raju Vegesna, Representative of the entities and affiliates in India of Mr Raju Vegesna, Chairman and
Managing Director of the company. (17)

8.1 List of Subsidiaries.

Code of Conduct and Conflict of Interest Policy (6)
11.1

12.1 Rule 13a-14(a) Certification of Chief Executive Officer

12.2 Rule 13a-14(a) Certification of Chief Financial Officer

13.1 Section 1350 Certification of Chief Executive Officer

13.2 Section 1350 Certification of Chief Financial Officer

15.1 Consent of ASA & Associates in respect of the Sify Technologies Limited

15.2 Consent of ASA & Associates in respect of the MF Global Sify Securities India Private Limited

- (1) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on October 17, 2007 and incorporated herein by reference.
- (2) Previously filed as an exhibit to Amendment No. 1 to the Registration Statement on Form F-1 filed with the Commission on October 4, 1999 and incorporated herein by reference.
- (3) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on October 17, 2007 and incorporated herein by reference.
- (4) Previously filed as an exhibit to the Post-Effective Amendment No. 1 to Form F-6 filed with the Commission on January 5, 2000 and incorporated herein by reference.
- (5) Previously filed as an exhibit to the Registration Statement on Form S-8 (File No. 333-101322) filed with Commission on November 20, 2002 and incorporated herein by reference.
- (6) Previously filed as an exhibit to the Annual Report on Form 20-F filed with the Commission on June 29, 2004 and incorporated herein by reference.
- (7) Previously filed as an exhibit to Amendment No. 2 to the Registration Statement on Form F-2 filed with the Commission on October 13, 1999 and incorporated herein by reference.
- (8)

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Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on November 30, 2004 and incorporated herein by reference.

- (9) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on November 21, 2005 and incorporated herein by reference.
- (10) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on December 7, 2005 and incorporated herein by reference.
- (11) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on December 23, 2005 and incorporated herein by reference.
- (12) Previously filed as an exhibit to the Annual Report on Form 20-F filed with the Commission on June 30, 2006 and incorporated herein by reference.
- (13) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on April 14, 2008 and incorporated herein by reference.

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- (14) Previously filed as an exhibit to the Report on Form 20-F filed with the Commission on October 11, 2008 and incorporated herein by reference.
- (15) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on January 23, 2009 and incorporated herein by reference.
- (16) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on November 15, 2010 and incorporated herein by reference.
- (17) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on September 8, 2011 and incorporated herein by reference.

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SIGNATURES

The company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

SIFY TECHNOLOGIES LIMITED

By: /s/ Raju Vegesna

Name: Raju Vegesna

Title: Chief Executive Officer and Managing Director

By: /s/ M P Vijay Kumar

Name: M P Vijay Kumar

Date: July 18, 2014 Title: Chief Financial Officer