

SIFY TECHNOLOGIES LTD
Form 6-K
November 09, 2015

United States Securities and Exchange Commission

Washington, DC 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the half-year ended September 30, 2015

Commission File Number 000-27663

SIFY TECHNOLOGIES LIMITED

(Translation of registrant's name into English)

Tidel Park, Second Floor

No. 4, Rajiv Gandhi Salai, Taramani

Chennai 600 113, India

(91) 44-2254-0770

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F ☐ Form 40-F ☐

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1). Yes ☐ No ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7). Yes ☐ No ☒

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For the half-year ended September 30, 2015

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Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references in this report to “we,” “us,” the “Company,” “Sify” or “Satyam Infoway” are 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 report are the property of their respective owners. In this Report, references to “\$,” “Dollars” or “U.S. dollars” are to the legal currency of the United States, and references to “Rs.,” “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.

For your convenience, this 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 Report, all translations from Indian rupees to U.S. dollars contained in this Report have been based on the reference rate in the City of Mumbai on September 30, 2015 for cable transfers in Indian rupees as published by the Reserve Bank of India (RBI), which was Rs.65.74 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 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 our Annual Report for the year ended March 31, 2015 or this Report.

Forward-looking Statements

In addition to historical information, this Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. The forward-looking statements contained herein are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. For a discussion of some of the risks and important factors that could affect the Company’s future results and financial condition, please see the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our

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Annual Report on Form 20-F for the fiscal year ended March 31, 2015, filed with the Securities and Exchange Commission (the “SEC”) on June 19, 2015.

The forward-looking statements contained herein are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “objectives”, “outlook”, “probably”, “project”, “will”, “seek” terms and phrases. Such forward-looking statements include, but are not limited to, statements concerning:

- our expectations as to future revenue, margins, expenses and capital requirements;
- our exposure to market risks, including the effect of foreign currency exchange rates and interest rates on our financial results;
- the effect of the international economic slowdown on our business;
- our ability to generate and manage growth and to manage our international operations;
- projections that our cash and cash equivalents, along with cash generated from operations will be sufficient to meet certain of our obligations; and
- the effect of future tax laws on our business.

You are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date of this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, you should carefully review the other information in this Report, our other periodic reports and other documents filed with the SEC from time to time. Our filings with the SEC are available on its website at www.sec.gov.

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Financial Position**

(In thousands of Rupees, except share data and as otherwise stated)

		As at		
	Note	As at	September 30,	2015
			September 30, 2015	March 31, 2015 *
			Rs.	Rs.
				US\$
ASSETS				
Property, plant and equipment	4	6,195,740	5,972,268	94,244
Intangible assets	5	546,944	574,385	8,320
Lease prepayments	7	814,060	821,244	12,383
Other assets		723,044	788,893	10,998
Other investments		1,710	1,710	26
Total non-current assets		8,281,498	8,158,500	125,971
Inventories		240,609	233,094	3,660
Trade and other receivables, net	8	6,668,428	6,113,455	101,434
Prepayments for current assets		390,026	251,639	5,933
Restricted cash	6	270,183	247,913	4,110
Cash and cash equivalents	6	1,514,975	1,229,634	23,044
Total current assets		9,084,221	8,075,735	138,181
Total assets		17,365,719	16,234,235	264,152
EQUITY AND LIABILITIES				
Equity				
Share capital		1,423,125	1,423,125	21,647
Share premium		18,474,481	18,474,481	281,016
Share based payment reserve		265,663	235,915	4,041
Other components of equity		50,577	36,662	769
Accumulated deficit		(12,956,178)	(13,004,882)	(197,077)
Equity attributable to equity holders of the Company		7,257,668	7,165,301	110,396

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Financial Position**

(In thousands of Rupees, except share data and as otherwise stated)

	Note	As at	As at	
		September	March 31,	September
		30,	2015*	30, 2015
		2015		Convenience
		Rs.	Rs.	translation
				into US\$
Liabilities				
Finance lease obligations, other than current instalments		391,921	617,062	5,962
Borrowings		1,106,405	821,912	16,830
Employee benefits	9	89,513	79,531	1,362
Other liabilities		483,338	507,587	7,352
Total non-current liabilities		2,071,177	2,026,092	31,506
Finance lease obligations current instalments		550,003	556,804	8,366
Borrowings		1,642,540	1,315,496	24,985
Bank overdraft	6	674,255	756,896	10,256
Trade and other payables		4,094,201	3,497,954	62,278
Deferred income		1,075,875	915,692	16,365
Total current liabilities		8,036,874	7,042,842	122,250
Total liabilities		10,108,051	9,068,934	153,756
Total equity and liabilities		17,365,719	16,234,235	264,152

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

¹Derived from the audited consolidated financial statements

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Income**

(In thousands of Rupees, except share data and as otherwise stated)

		Quarter ended		Quarter ended	Half year ended		Half year ended
	Note	September 30,		September 30,	September 30,		September 30,
		2015		2015	2014		2015
		Rs.		Convenience	Rs.		Convenience
				translation			translation
		into US\$			into US\$		
Revenue	10	3,715,339	3160,213	56,514	7,121,886	6,122,984	1,08,331
Cost of goods sold and services rendered	11	(2,165,759)	(1,983,470)	(32,943)	(4,168,665)	(3,708,477)	(63,410)
Other income		11,942	32,405	182	21,634	40,133	329
Selling, general and administrative expense	12	(886,568)	(712,862)	(13,486)	(1,706,487)	(1,469,340)	(25,957)
Depreciation and amortization	4&5	(369,189)	(291,715)	(5,616)	(744,805)	(565,170)	(11,329)
Profit from operating activities		305,765	204,571	4,651	523,563	420,130	7,964
Finance income	13	13,390	17,466	204	18,643	30,456	284
Finance expenses	13	(185,892)	(131,999)	(2,828)	(323,760)	(247,178)	(4,925)
Net finance expense		(172,502)	(114,533)	(2,624)	(305,117)	(216,722)	(4,641)
Profit for the period		133,263	90,038	2,027	218,446	203,408	3,323
Profit per share							
Basic earnings per share	14	0.94	0.64	0.01	1.55	1.44	0.02
Diluted earnings per share	14	0.94	0.64	0.01	1.54	1.44	0.02

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Comprehensive Income**

(In thousands of Rupees, except share data and as otherwise stated)

	Quarter ended		Quarter ended	Half year ended		Half year ended
	September 30		September 30,	September 30		September 30,
			2015			2015
			Convenience			Convenience
			translation			translation
			into US\$			into US\$
Note	2015	2014		2015	2014	
	Rs.	Rs.		Rs.	Rs.	
Profit for the period	133,263	90,038	2,027	218,446	203,408	3,323
Other comprehensive income/(loss)						
Items that will not be reclassified to profit or loss						
Remeasurement of defined benefit plans	9 (3,316)	(512)	(50)	1,926	(7,721)	29
Items that will be reclassified to profit or loss						
Foreign currency translation differences of foreign operations	7,053	(168)	107	11,989	(169)	182
Other comprehensive income/(loss) for the period	3,737	(680)	57	13,915	(7,890)	211
Total comprehensive income for the period	137,000	89,358	2,084	232,361	195,518	3,534

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Changes in Equity**

(In thousands of Rupees, except share data and as otherwise stated)

For six months ended September 30, 2015

Particulars	Share capital	Share premium	Share based payment reserve	Other components of equity	Accumulated deficit	Total	Non- controlling interest	Total Equity
Balance at April 1, 2015	1,423,125	18,474,481	235,915	36,662	(13,004,882)	7,165,301	-	7,165,301
Total comprehensive income/ (loss) for the period	-	-	-	13,915	218,446	232,361	-	232,361
Share based payments		-	29,748	-	-	29,748	-	29,748
Transactions with owners, recorded directly in equity								
Dividends paid	-	-	-	-	(1,69,742)	(1,69,742)	-	(1,69,742)
Balance as at September 30, 2015	1,423,125	18,474,481	265,663	50,577	(12,956,178)	7,257,668	-	7,257,668

For the six months ended September 30, 2014

Particulars	Share capital	Share premium	Share based payment reserve	Other components of equity	Accumulated deficit	Total	Non- controlling interest	Total Equity
Balance at April 1, 2014	1,423,125	18,474,481	224,196	54,070	(13,220,219)	6,955,653	-	6,955,653

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Total comprehensive income/ (loss) for the period	-	-	(169)	(7,721)	203,408	195,518	-	195,518
Transactions with owners, recorded directly in equity								
Dividends paid (including Corporate Dividend Tax)					(159,921)	(159,921)	-	(159,921)
Balance as at September 30, 2014	1,423,125	18,474,481	224,027	46,349	(13,176,732)	6,991,250	-	6,991,250

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Cash Flows**

(In thousands of Rupees, except share data and as otherwise stated)

	Six Months ended September 30		September 30, 2015 Convenience translation into US\$
	2015 Rs.	2014 Rs.	
Cash flows from / (used in) operating activities			
Profit for the period	218,446	203,408	3,323
Adjustments for:			
Depreciation and amortization	744,805	565,170	11,329
Loss/ (gain) on sale of property, plant and equipment	(796)	(1,219)	(12)
Provision for doubtful receivables and advances	80,144	101,824	1,219
Stock compensation expense	29,748	-	452
Net finance expense / (income)	305,117	216,722	4,641
Unrealized (gain)/ loss on account of exchange differences	37,981	51,493	578
Amortisation of Leasehold Prepayments	7,184	2,843	109
	1,422,629	1,140,241	21,639
Change in trade and other receivables	(327,048)	(951,453)	(4,974)
Change in inventories	(7,515)	(55,505)	(114)
Change in other assets	(72,538)	(171,923)	(1,103)
Change in trade and other payables	544,833	903,610	8,287
Change in employee benefits	11,908	15,147	181
Change in deferred revenue	160,183	196,355	2,436
	1,732,452	1,076,472	26,352
Income taxes (paid)/refund received	(295,026)	(171,336)	(4,488)
Net cash from operating activities	1,437,426	905,136	21,864
Cash flows from / (used in) investing activities			
Acquisition of property, plant and equipment	(748,722)	(633,070)	(11,389)
Expenditure on intangible assets	(18,946)	(68,640)	(288)
Proceeds from sale of property, plant and equipment	796	1,219	12
Finance income received	21,882	32,092	332
Net cash used in investing activities	(744,990)	(668,399)	(11,333)

Sify Technologies Limited**Unaudited Condensed Consolidated Interim Statement of Cash Flows**

(In thousands of Rupees, except share data and as otherwise stated)

	Six months ended September 30		September 30,
	2015	2014	2015
	Rs	Rs	Convenience translation into US\$
Cash flows from / (used in) financing activities			
Proceeds from / (repayment of) borrowings, net	590,110	518,963	8,976
Finance expenses paid	(322,136)	(253,917)	(4,900)
Repayment of finance lease liabilities	(402,235)	(51,487)	(6,118)
Payment of dividends (including corporate dividend tax)	(169,741)	(159,921)	(2,582)
Net cash from financing activities	(304,002)	53,638	(4,624)
Net Increase in cash and cash equivalents	388,434	290,375	5,907
Cash and cash equivalents at April 1	720,651	632,780	10,962
Effect of exchange fluctuations on cash held	1,818	(871)	28
Cash and cash equivalents at period end	1,110,903	922,284	16,897
Supplementary information			
Additions to property plant and equipment represented by finance lease obligations	170,293	362,697	2,590

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

SIFY TECHNOLOGIES LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(In thousands of Rupees, except share, per share data and as stated otherwise)

1. Reporting entity

Sify Technologies Limited, ('Sify' or 'the Company') formerly known as Sify Limited, is a leading internet services provider headquartered in Chennai, India. These Unaudited Condensed Consolidated Interim Financial Statements as at and for the three months and six months ended September 30, 2015 comprise the Company and its subsidiaries (Sify Technologies (Singapore) Pte Limited and Sify Technologies North America Corporation (together referred to as the 'Group' and individually as 'Group entities')). The Group is primarily involved in providing services, such as Telecom services, Data Center Hosting Services, Cloud and Managed services, Application services and Technology Integration services. Sify is listed on the NASDAQ Global Select market in the United States.

2. Basis of preparation

a. Statement of compliance

The Unaudited Condensed Consolidated Interim Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended March 31, 2015.

These Unaudited Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on October 20, 2015.

b. 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. US dollar is the functional currency of Sify's foreign subsidiary located in the US and Singapore.

The Unaudited Condensed Consolidated Interim 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.

Convenience translation: Solely for the convenience of the reader, the financial statements as of and for the three months and six months ended September 30, 2015 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 September 30, 2015, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs. 65.74 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 September 30, 2015 or at any other date.

c.

Use of estimates

The preparation of these Unaudited Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the period. Accounting estimates could change from period to period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of change and future periods, if the change affects both and, if material, their effects are disclosed in the notes to the financial statements.

In preparing the Unaudited Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimating uncertainties were the same as that were applied to the consolidated financial statements as at and for the year ended March 31, 2015.

3. Significant accounting policies

The accounting policies applied by the Group in these Unaudited Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended March 31, 2015 .

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.

During the year 2014-15, consequent to introduction of IFRS 10, the Group has changed its accounting policy with respect to the basis for determining control. Control exists when the parent has power over the entity, is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

Previously, control existed when the Group had the power 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 were currently exercisable were also taken into account.

a. Recent accounting pronouncements

(i) IFRS 9 Financial Instruments: In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. 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. 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.

IFRS 9 replaces the ‘incurred loss model’ in IAS 39 with an ‘expected credit loss’ model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new Presentation and disclosure requirements.

The effective date for adoption of IFRS 9 is annual periods beginning on or after January 1, 2018, though early adoption is permitted. The Group is currently evaluating the requirements of IFRS 9, and has not yet determined the impact on the consolidated financial statements.

IFRS 15 Revenue from Contract from Customers: In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further (ii) the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method. The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2017, though early adoption is permitted.

In September 2015, the IASB issued an amendment to IFRS 15, deferring the adoption of the standard to periods beginning on or after January 1, 2018 instead of January 1, 2017. The Group is currently evaluating the requirements of IFRS 15, and has not yet determined the impact on the consolidated financial statements.

4. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the half year ended September 30, 2015

Particulars	Cost			Accumulated depreciation				Carrying amount as	
	As at			As at	As at	Depreciation		As at	at
	April 01, 2015	Additions	Disposals	September 30, 2015	April 1, 2015	for the year	Deletions	September 30, 2015	September 30, 2015
Building	1,993,085	-	-	1,993,085	401,073	35,849	-	436,922	1,556,163
Plant and machinery	8,340,520	843,703	2,337	9,181,886	5,374,508	587,385	2,337	5,959,556	3,222,330
Computer equipments	790,631	86,155	11,549	865,237	649,977	39,645	11,497	678,125	187,112
Office equipment	286,141	46,991	319	332,813	203,319	9,640	319	212,640	120,173
Furniture and fittings	755,409	156,575	118	911,866	591,561	25,899	118	617,342	294,524
Vehicles	2,456	-	-	2,456	2,456	-	-	2,456	-
Total	12,168,242	1,133,424	14,323	13,287,343	7,222,894	6,98,418	14,271	7,907,041	5,380,302
Add: Construction in progress									815,438
Total	12,168,242	1,133,424	14,323	13,287,343	7,222,894	698,418	14,271	7,907,041	6,195,740

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

Particulars	Cost			Accumulated depreciation				Carrying amount as	
	As at April 01, 2014			As at March 31, 2015	As at April 1, 2014	Depreciation for the year		As at March 31, 2015	at March 31, 2015
		Additions	Disposals				Deletions		
Building	1,991,503	1,582	-	1,993,085	329,920	71,153	-	401,073	1,592,012
Plant and machinery	7,346,809	1,091,920	98,209	8,340,520	4,496,616	976,101	98,209	5,374,508	2,966,012
	676,236	138,687	24,292	790,631	609,394	64,875	24,292	649,977	140,654

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Computer equipments									
Office equipment	243,416	45,834	3,109	286,141	182,780	23,648	3,109	203,319	82,822
Furniture and fittings	661,581	103,014	9,186	755,409	554,379	46,368	9,186	591,561	163,848
Vehicles	2,456	-	-	2,456	2,295	161	-	2,456	-
Total	10,922,001	1,381,037	134,796	12,168,242	6,175,384	1,182,306	134,796	7,222,894	4,945,348
Add:									
Construction in progress									1,026,920
Total	10,922,001	1,381,037	134,796	12,168,242	6,175,384	1,182,306	134,796	7,222,894	5,972,268

Leased assets

The Group's leased assets include certain buildings, plant and machinery acquired under finance leases. As at September 30, 2015 the net carrying amount of buildings and plant and machinery acquired under finance leases is Rs. 198,498 (March 31, 2015: Rs. 203,567) and Rs.1,024,362 (March 31, 2015: Rs. 1,120,799) respectively. During the six months ended September 30, 2015, the Group acquired leased assets of Rs. 170,293 (March 31, 2015 : Rs. 688,981).

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.

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.

5. Intangible assets

Intangible assets comprise the following:

	September 30, 2015	March 31, 2015
Goodwill	14,595	14,595
Other intangible assets	532,349	559,790
	546,944	574,385

(i) Goodwill

The following table presents the changes in goodwill during the period ended

	September 30, 2015	March 31, 2015
Balance at the beginning of the period	14,595	14,595
Net carrying amount of goodwill	14,595	14,595

(ii) Other intangibles

The following table presents the changes in intangible assets during the six months ended September 30, 2015 and year ended March 31, 2015.

	Bandwidth Capacity	Software	License fees	Total
(A) Cost				

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Balance as at April 1, 2014	553,302	498,783	50,000	11,02,085
Acquisitions during the year	23,206	58,243	23,000	1,04,449
Disposals during the year	-	-	-	-
Balance as at March 31, 2015	576,508	557,026	73,000	12,06,534
Acquisitions during the period	-	18,946	-	18,946
Disposals during the period	-	-	-	-
Balance as at September 30, 2015	576,508	5,75,972	73,000	12,25,480

(B) Amortization

Balance as at April 1, 2014	92,180	446,658	18,406	5,57,244
Amortization for the year	48,411	36,439	4,650	89,500
Impairment loss on intangibles	-	-	-	-
Balance as at March 31, 2015	140,591	483,097	23,056	6,46,744
Amortization for the period	24,204	20,858	1,325	46,387
Impairment loss on intangibles	-	-	-	-
Balance as at September 30, 2015	1,64,795	5,03,955	24,381	6,93,131

(C) Carrying amounts

As at March 31, 2015	435,917	73,929	49,944	559,790
As at September 30, 2015	411,713	72,017	48,619	532,349

Intangible assets that were fully impaired/amortised were removed from the block.

6. Cash and cash equivalents

Cash and cash equivalents as at September 30, 2015 amounted to Rs.1,514,975 (March 31, 2015: Rs. 1,229,634). This excludes cash-restricted of Rs.270,183 (March 31, 2015: Rs. 247,913), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

(a) Restricted cash

	September 30, 2015	March 31, 2015	September 30, 2014	March 31, 2014
Non current				
Against future performance obligation		-		-
Current				
Bank deposits held under lien against borrowings / guarantees from banks / Government authorities	270,183	247,913	213,285	210,223
Total restricted cash	270,183	247,913	213,285	210,223
(b) Non restricted cash				
Current				
Cash and bank balances	1,514,975	1,229,634	1,291,322	1,059,904
Total cash (a+b)	1,785,158	1,477,547	1,504,607	1,270,127
Bank overdraft used for cash management purposes	(674,255)	(756,896)	(582,323)	(637,347)
Less: Non current restricted cash	-	-	-	-
Cash and cash equivalents for the statement of cash flows	1,110,903	720,651	922,284	632,780

7. Lease prepayments

	September 30, 2015	March 31, 2015
Towards land and buildings*	814,060	821,244
	814,060	821,244

* Includes Rs. 773,371 (March 31, 2015: Rs. 778,375) paid for acquiring leasehold rights of land for construction of Data centers in Noida and Rabale, India. 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.

8. Trade and other receivables

Trade and other receivables comprise:

	September 30, 2015	March 31, 2015
(i) Trade receivables, net	5,001,489	4,669,841
(ii) Other receivables including deposits	1,555,448	1,309,434
(iii) Construction contract related accruals	111,491	134,180
	6,668,428	6,113,455

Trade receivables consist of:

	September 30, 2015	March 31, 2015
Other trade receivables	5,272,069	4,876,243
	5,272,069	4,876,243
Less: Allowance for doubtful receivables	(270,580)	(206,402)
Balance at the end of the period	5,001,489	4,669,841

The activity in the allowance for doubtful accounts receivable is given below:

	For the year ended September 30,		March 31, 2015
	2015		
Balance at the beginning of the period	206,402	173,397	
Add : Additional provision, net	80,144	198,921	
Less : Bad debts written off	(15,966)	(165,916)	
Balance at the end of the period	270,580	206,402	

9. Employee benefits

	September 30, 2015	March 31, 2015
Gratuity payable	53,546	45,903
Compensated absences	35,967	33,628
	89,513	79,531

Gratuity cost

The components of gratuity cost recognized in the income statement for the three months and six months ended September 30, 2015 and 2014 consists of the following:

Three months ended	Three months ended	Half year ended	Half year ended
-----------------------	-----------------------	-----------------	-----------------

	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Service cost	3,889	2,272	7,778	5,294
Interest cost	1,491	1,100	3,002	2,256
Interest income	(596)) (745) (1,212) (1,541)
Net gratuity costs recognized in statement of income	4,784	2,627	9,568	6,009

Details of employee benefit obligation and plan asset are as follows:

	September 30, 2015	March 31, 2015
Present value of projected benefit obligation at the end of the year	82,555	79,038
Funded status of the plans	(29,009)) (33,135)
Recognized (asset) / liability	53,546	45,903

The following table set out the status of the gratuity plan:

Change in defined benefit obligation	September 30, 2015	March 31, 2015
Projected benefit obligation at the beginning of the period	79,038	53,369
Service cost	7,778	12,089
Interest cost	3,002	4,319
Actuarial (gain) / loss	(3,137)	17,852
Benefits paid	(4,126)	(8,591)
Projected benefit obligation at the end of the period	82,555	79,038

Change in plan assets	September 30, 2015	March 31, 2015
Fair value of plan assets at the beginning of the period	33,135	40,626
Expected return on plan assets	1,243	2,950
Remeasurements – return on plan assets excluding amounts included in interest income	(1,243)	(2,950)
Employer contributions	-	1,100
Benefits paid	(4,126)	(8,591)
Fair value of plan assets at the end of the period	29,009	33,135

Actuarial Assumptions at reporting date:

	As at	As at
	September 30, 2015	March 31, 2015
Discount rate	8.00% p.a	7.80% p.a
Long-term rate of compensation increase	6.00 % p.a	7.00% p.a
Rate of return on plan assets	8.00 % p.a	8.00% p.a
Average future working life time	4.90 years	4.90 years

The Group assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Remeasurement of defined benefit plans recognised in other comprehensive income

The amount gains and losses on Remeasurement of defined benefit plans recognized directly in other comprehensive income for the six months ended September 30, 2015 and 2014 are as follows:

	Half year ended September 30, 2015	Half year ended September 30, 2014
Gain or (loss) on Remeasurement of defined benefit plans	1,926	(7,721)
	1,926	(7,721)

Historical information

	Half year ended September 30, 2015	Half year ended September 30, 2014
Experience adjustment on plan liabilities - (loss)/gain	(1,490)	(7,211)
Impact of change in assumptions on plan liabilities - (loss)/gain	4,628	-
Experience adjustment on plan assets - (loss)/gain	(1,243)	-
	1,894	(7,211)

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10.

Revenue

	Quarter ended September 30,		Half year ended September 30,	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Rendering of services				
Service revenue	3,155,524	2,530,206	5,989,359	5,027,707
Installation service revenue	442,067	394,736	850,754	742,384
	3,597,591	2,924,942	6,840,113	5,770,091
Sale of products	117,748	235,271	281,773	352,893
Total	3,715,339	3,160,213	7,121,886	6,122,984

11.

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.

12.

Personnel expenses

	Quarter ended September 30,		Half year ended September 30,	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Salaries and wages	445,062	353,726	846,279	691,281
Contribution to provident fund and other funds	23,186	18,222	45,337	34,984
Staff welfare expenses	5,235	2,562	8,449	4,682
Employee Stock compensation expense	14,553	-	29,748	-
	488,036	374,510	929,813	730,947
Attributable to Cost of goods sold and services rendered	225,474	174,650	425,313	346,041
Attributable to selling, general and administrative expenses	262,562	199,860	504,500	384,906

13.

Financial income and expense

	Quarter ended		Half year ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Interest income on bank deposits	9,577	3,789	11,251	14,541
Others	3,813	13,677	7,392	15,915
Finance income	13,390	17,466	18,643	30,456
Interest expense on financial lease liabilities	32,603	39,609	68,394	72,789
Bank charges	34,077	26,587	63,334	54,545
Other interest	119,212	65,803	192,032	119,844
Finance expense	185,892	131,999	323,760	247,178
Net finance income / (expense) recognised in profit or loss	(172,502)	(114,533)) (305,117)	(216,722)

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14.

Earnings per share

The calculation of basic earnings per share for the quarter and half year ended September 30, 2015 is based on the earnings attributable to ordinary shareholders:

	Quarter ended September 30,	September 30,	Half year ended September 30,	September 30,
	2015	2014	2015	2014
Net profit – as reported	133,263	90,038	218,446	203,408
Weighted average number of shares – Basic	141,030,787	141,030,787	141,030,787	141,030,787
Basic earnings per share	0.94	0.64	1.55	1.44
Weighted average number of shares – Diluted	141,492,771	141,030,787	1,414,92,771	141,030,787
Diluted earnings per share	0.94	0.64	1.54	1.44

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 September 30, 2015, these shares were partly paid up to the extent of Rs.7.00 (March 31, 2015 : Rs. 7.00) per share.

15. Segment reporting

The operating segments of the Company are as follows:

Telecom services: Consists of domestic data, international data, wholesale voice and network managed services;

Data Centre services: Consists of co-location services ;

Cloud and managed services: Consists of IT infra services, IT transformation services, remote and onsite infrastructure management services and delivery platforms;

Technology integration services: Consists of data centre build, network integration, information security, end user computing and collaborative tools and solutions;

Application integration services: Consists of application development and maintenance, application testing, mobility solutions, eLearning, portals, tools, process and automation.

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

Bandwidth costs, which form a significant part of the total expenses, are allocated to Network Services. Manpower costs of Technology resources rendering services to support Infrastructure operations, Managed services and Application services, are allocated to specific operating segments. The Group believes that the resulting allocations are reasonable.

Certain expenses, such as depreciation, technology infrastructure and administrative overheads, which form a significant component of total expenses, are not allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not practical to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as “unallocated” and adjusted only against the total income of the Group.

A significant part of the fixed assets used in the Group’s business are not identifiable to any of the reportable segments and can be used interchangeably between segments. As a result, the measures of segment assets and liabilities are not regularly reviewed by the CODM and hence disclosures relating to segment assets and liabilities have not been provided

The Group's operating segment information for the quarter ended September 30, 2015 and 2014 and half year ended September 30, 2015 and 2014, are presented below:

Quarter ended September 30, 2015

	Telecom	Datacenter	Cloud and	Technology	Applications	
	Services	Services	Managed	Integration	Integration	Total
			Services	Services	Services	
Segment revenue	2,492,768	364,761	234,463	389,319	234,028	3,715,339
Allocated segment expenses	(1,862,954)	(277,587)	(202,929)	(274,276)	(185,691)	(2,803,437)
Segment operating income	629,814	87,174	31,534	115,043	48,337	911,902
Unallocated expenses:						
Selling, general and administrative expenses						(248,890)
Depreciation and amortization						(369,189)
Other income						11,942
Finance income						13,390
Finance expenses						(185,892)
Profit for the period						133,263

Half year ended September 30, 2015

	Telecom	Datacenter	Cloud and	Technology	Applications	
	Services	Services	Managed	Integration	Integration	Total
			Services	Services	Services	
Segment revenue	4,714,647	742,073	438,546	769,270	457,350	7,121,886
Allocated segment expenses	(3,557,184)	(564,130)	(341,925)	(558,153)	(398,153)	(5,419,545)
Segment operating income	1,157,463	177,943	96,621	211,117	59,197	1,702,341
Unallocated expenses:						
Selling, general and administrative expenses						(455,607)
Depreciation and amortization						(744,805)
Other income / (expense), net						21,634
Finance income						18,643
Finance expenses						(323,760)
Profit for the period						218,446

Quarter ended September 30, 2014

	Telecom	Datacenter	Cloud and	Technology	Applications	
	Services	Services	Managed	Integration	Integration	Total
			Services	Services	Services	
Segment revenue	2,087,615	311,115	134,024	420,709	206,750	3,160,213
Allocated segment expenses	(1,621,278)	(263,090)	(116,480)	(361,547)	(151,319)	(2,513,714)
Segment operating income / (loss)	466,337	48,025	17,544	59,162	55,431	646,499
Unallocated expenses:						
Selling, general and administrative expenses						(182,618)
Depreciation and amortization						(291,715)
Other income / (expense), net						32,405
Finance income						17,466
Finance expenses						(131,999)
Profit for the period						90,038

Half year ended September 30, 2014

	Telecom	Datacenter	Cloud and	Technology	Applications	
	Services	Services	Managed	Integration	Integration	Total
			Services	Services	Services	
Segment revenue	4,172,081	621,743	253,217	613,762	462,181	6,122,984
Allocated segment expenses	(3,201,098)	(493,823)	(208,311)	(570,241)	(351,340)	(4,824,813)
Segment operating income /(loss)	970,983	127,920	44,906	43,521	110,841	1,298,171
Unallocated expenses:						
Selling, general and administrative expenses						(353,004)
Depreciation and amortization						(565,170)
Other income / (expense), net						40,133
Finance income						30,456
Finance expenses						(247,178)
Profit for the period						203,408

16.

Capital commitments

Contracts pending to be executed on capital account as at September 30, 2015 and not provided for amounted to Rs. 700,499 (March 31, 2015 :Rs. 329,992) .

Operating leases: The Group leases office buildings and other equipments under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. The schedule of future minimum rental payments in respect of operating leases is set out below:

Non-cancellable operating lease obligations	Total	Less	More than 5	
		than 1 year	1-5 years	years
As at September 30, 2015	1,251,666	99,558	448,392	703,716
As at March 31, 2015	1,301,444	99,558	435,743	766,143

17.

Legal proceedings

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 Rs. 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 Rs. 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 and 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.

In a related matter, the service providers had approached TDSAT (the 'Tribunal') 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. The Tribunal by its order dated April 23, 2015 held that revenue from sale of scrap, treasury income etc are to be included as part of

AGR. The Tribunal has also passed an order asking DOT to levy at most a nominal amount as token penalty with interest if permissible at the lower rates. The Company is reviewing the order passed by the Tribunal. The Company had approached Honourable High Court of Madras (Court) in 2013 by filing a writ petition prohibiting Department of Telecommunications (DOT) from levying a license fee on non-licensed activities. In an earlier writ petition filed by the Company in 2012, the Court restrained DOT from recovering the license fee in respect of non- telecom activities. Based on the said order passed by the Court, an interim order was passed by the Court restraining DOT from recovering license fee in respect of non- telecom activities for the writ petition filed in 2013.

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

(iii) The Company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at September 30, 2015, the Company believes that it has adequate legal defenses for these actions and 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 26.1 million (March 31, 2015: 25.1 million)

18.

Related parties

The following is a summary of significant transactions with related parties during the six months ended September 30, 2015 and September 30, 2014:

Transactions	Six months ended	Six months ended
	September 30, 2015	September 30, 2014
Consultancy services received	120	120
Share capital and share premium money received from promoter group	-	-
Lease rentals paid (Refer notes below)	2,489	3,091
Amount of outstanding balances		
Advance lease rentals and refundable deposits made (Refer note below)	2,558	2,558
Outstanding balances [(Payables)/receivables]	(373)	-

Notes:

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 Rs. 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.

2. 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, Chief Executive Officer 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 Rs. 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.

3. During the year 2010-11, 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 Rs. 294 (Rupees Two Lakhs Ninety Four Thousand Only) per month and payment of refundable security deposit of Rs. 2,558 (Rupees Twenty Five Lakhs and Fifty Eight Thousand only). This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

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19. 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 have 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.

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.

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.

20. 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 Rs.10 per share ("Equity shares") at a discount compared to market value of , for an aggregate purchase price of Rs.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 Chief Executive Officer 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 of September 30, 2015, these shares were partly paid to the extent of Rs. 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 September 30, 2015, 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.

21.

Group entities

The following are the entities that comprise the Group as of September 30, 2015 and March 31, 2015:

Particulars	Country of incorporation	% of Ownership interest	
		September 30, 2015	March 31, 2015
Significant subsidiaries			
Sify Technologies Singapore Pte. Ltd	Singapore	100	100
Sify Technologies North America Corporation	USA	100	100

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Item 2. Information on the Company

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 38 of India's DCs; a fact that endorses the quality of our offering and our network presence

Our network, reaches over 1300 cities and towns with approximately 2600 Points of Presence.

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.

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.

In order to offer the best-of-breed services, we chose to tie up with the leaders in the business like Hp and VMware. TOur 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 grounds-up technology refresh for some of India's biggest private and Government clients.

e) Applications 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 38 of India's Data Centres including 6 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.

· *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.

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 6 Tier III Data Centres of which three 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 and 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 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.

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 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 250 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 1300 towns and cities and between them have more than 55,000 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.

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 six tier III Internet Data Centres, three 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.

Item 3. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of the financial condition and results of operations of our Company should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and the related condensed notes included elsewhere in this report and the audited financial statements and the related notes contained in our Annual Report on Form 20-F for the fiscal year ended March 31, 2015. This discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see the section in our Annual report captioned "Risk Factors."

Overview

We are among the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common telecom data network infrastructure reaching more than 1300 cities and towns in India. This telecom network also connects 36 Data Centres across India including Sify's 6 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.

After the re- organization along service lines, a significant part of the our revenue is derived from Enterprise Services, comprising 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 mature, 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 1300 towns and cities and gives a prospect of approximately 2600 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 1300 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 of 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. We currently have 6 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.

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 Cloudinfinite.

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 focuses are 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) Application Integration services

The third layer of the Sify business is the Applications Integration services. Aligning to the market opportunity and expectations 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.

There are numerous risks and challenges affecting the business. These risks and challenges are discussed in detail in the section entitled 'Risk Factors' in our Annual Report on Form 20-F for the year ended March 31, 2015 and elsewhere in this 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.

Data Center 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 Time and Material (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.

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.

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.

Results of Operations

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

	Quarter ended		Six months ended	
	2015	2014	2015	2014
	%	%	%	%
Revenues	100	100	100	100
Cost of goods sold and services rendered	58	63	59	61
Other income/(expense)		1		1
Selling, general and administrative expenses	23	23	24	24
Depreciation and amortization expenses	10	9	10	9
Profit from operating activities	8	6	7	7
Finance income		1	1	1
Finance expenses	5	4	5	4
Net finance income/(expense)	(5)	(4)	(4)	(4)
Net profit for the year	4	3	3	3

Results of quarter ended September 30, 2015 compared to quarter ended September 30, 2014

The growth in our revenues in fiscal 2015 from fiscal 2014 is given below

Quarter ended	Quarter ended	Change	% Change
September 30,	September 30,		

	2015	2014			
Revenues	3,715	3,160	555	18	%

We have achieved a Revenue of Rs. 3,715 Million (\$ 57 Million), an increase in revenue of Rs. 555 Millions (\$ 8 Millions). The increase is primarily contributed by the Telecom Services, supported by growth in Cloud and Managed Services, Data Centre services and Application Integration services.

The revenue by operating segments is as follows:

	Revenue		Percentage of revenue					
	Quarter	Quarter	Three	Three				
	ended	ended	months	months				
	September	September	ended	ended	Growth			
	2015	2014	2015	2014				
Telecom Services	2,493	2,088	67	66	%	19	%	
Data Centre Services	365	311	10	10	%	17	%	
Cloud and Managed Services	234	134	6	4	%	75	%	
Technology Integration Services	389	420	11	13	%	-7	%	
Applications Services	234	207	6	7	%	13	%	
Total	3,715	3,160	100	100	%	18	%	

Revenue from Telecom Services has increased by Rs. 405 Million (\$6.16 Million) contributed by Data services Rs. 192 Million (\$2.93 Million) and Rs. 213 Million (\$3.24 Million) from Voice Services. Revenue increase of Rs. 192 Million (\$2.93 Million) from Data Services is contributed by increase in recurring revenue by Rs. 219 Million (\$3.33 Million) on account of increase in number of customer links and this increase was partially offset by decrease in Installation revenue by Rs.27 Million (\$0.41 Million). Revenue from voice services has increased by Rs.213 Million (\$3.24 Million) on account of Increase in realisations and better margins.

Revenue from Data Centre services has increased by Rs. 54 Million (\$0.8 Million) on account of higher capacity utilisation.

Revenue from Cloud and Managed Services has increased by Rs.100 Million (\$1.53 Million), primarily on account of an increase of Rs.70 Million (\$1.06 Million) from cloud based offerings on account of new customer engagements and increase in Infrastructure management services by Rs. 30 Million (\$0.46 million) due to increase in customer engagements.

Revenue from Technology Integration services has decreased by Rs. 31 Million (\$0.48 Million). The decrease is primarily on account of decrease in Systems Integration services by Rs. 14 Million (\$0.21 Million) due to large one time revenue. And decrease in Digital Certification services by Rs. 17 Million (\$0.26 Million) due to decrease in customer engagement.

Revenue from Applications Integration Services has Increased by Rs. 27 Million (\$0.41Million), primarily on account of (i) increase in E-Learning services by Rs. 27 Million (\$0.41 Million), which is due to increase in new customer engagements and (ii) Revenue from Apps Lead services has also increased by 20 Million (\$0.31 Million). The above increase was partially offset by decrease of Rs.10 Million (\$0.16 Million) in Portal business and decrease in revenue from Application services by Rs. 10 Million (\$0.14 Million).

Other income

The change in other income is as follows:

Quarter ended	Quarter ended	Change	% Change
September 30,	September 30,		

	2015	2014			
Other Income	12	32	(20)	-63	%

During quarter ended September 30, 2014, provisions amounting to Rs. 18 Million (\$ 0.27 Million) were reversed. No such reversals made during current quarter. Thus, resulting in decrease in other income during current quarter.

Cost of goods sold and services rendered (COGS)

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

	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Change	% Change	
Telecom services	1,514	1,321	193	15	%
Data Centre Services	197	177	20	11	%
Cloud and Managed Services	90	53	37	70	%
Technology Integration Services	220	318	(98)	-31	%
Applications Services	145	114	31	27	%
Total	2,166	1,983	183	9	%

The cost of goods sold increase by 9% on overall basis, the movement in COGS is explained in detail below:

	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Change	% Change	
Network Costs	1,302	1,142	160	14	%
Revenue share	116	98	18	18	%
Cost of goods sold	215	328	(113)	-34	%
Power costs	194	155	39	25	%
Direct Resources costs	233	175	58	33	%
Others	106	85	21	25	%
Total	2,166	1,983	183	9	%

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 was primarily on account of Bandwidth costs by Rs. 40 Million due to capacity upgradation and newer links, Inter Connect charges also increased by Rs. 120 Million on account of increase in the per unit cost of International Long distance.

Revenue share cost comprises of Revenue share payable to DOT on ILD, NLD and other services. Increase in Revenue share is on account increase in revenue from licensed services.

The decrease in Cost of Hardware and Software is on account of lower number of System integration projects and related hardware opportunities during the quarter.

Power costs comprises of electricity cost incurred in our data center. Marginal increase in the cost is on account of new facilities.

Direct resources costs comprises of (i) the cost of resources deployed on the Network Infrastructure Delivery and resources involved in delivery of application services (ii) cost of billable resources associated with the e Learning and Infrastructure Managed services. The increase in direct resource costs is on account of network infrastructure delivery.

Other Direct costs, comprises of Link implementation and maintenance charges for the Telecom services, Direct cost of Application services, digital certificate platform , content costs , subject matter experts for international business. The increase in Other Direct costs is due to increase in (i) Rs. 30 Million in cloud services due to higher usage, (ii) Rs.17 Million on account of increase in number of online assessment services conducted during the period (iii) Rs. 9 Million on account of increase in subject matter experts costs in e-learning business. This increase was partially offset by decrease in (i) Rs.32 Million in digital certification on account of lower volume and (ii) decrease of Rs. 3 Million in content costs.

We are continuously in the path of achieving cost efficiencies and process optimization to maximize the return.

Selling, General and Administrative expenses

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

	Quarter ended	Quarter ended			
	September 30,	September 30,	Change	Change (%)	
	2015	2014			
Operating Expenses	240	191	49	26	%
Selling & Marketing Expenses	43	25	18	72	%
Associate Expenses	333	250	83	33	%
Other Indirect Expenses	214	208	6	3	%
Provision for doubtful debts and advances	40	31	9	29	%
Forex (gain) / loss	17	8	9	113	%
Total	887	713	174	24	%

Operating costs has increased by 26%, on account of higher implementation cost on network expansion for large projects and also on account of increase in Operating and maintenance cost of Data center

Selling and Marketing costs consist of, selling commission payable to sales partners, discounts payable to customers , incentive to salesmen and marketing and promotion costs. Selling & Marketing costs has increased on account of increase in advertisement costs and increase in channel partner commission.

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 increased due to increase in number of associates recruited during the period and also on account of pay revision.

Other Indirect expense consist of , cost of Facilities , electricity charges incurred on facilities, travel cost , Legal charges , professional charges, communication and others. Increase in other indirect costs is on account of one time higher statutory levy incurred during the same period previous year on account of large project implementations.

Provision for Doubtful debts consists of the charge on account of the provisions created during the year against doubtful debtors. There is a marginal increase in Provision for Doubtful debts are on account provisioning of certain doubtful Debtors on prudence.

Depreciation and amortization

Depreciation and amortization is set forth in the table below:

	Quarter ended	Quarter ended			
	September 30,	September 30,	Change	% Change	
	2015	2014			
Depreciation and amortization	369	292	77	26	%
As a percentage of carrying value	6	% 4.3	%		

Increase in depreciation is on account of additional capitalisation of infrastructure pertaining to Rabale Data Center and field assets deployment for large projects amounting to Rs. 1,175 million.

Profit from operating activities

	Quarter ended	Quarter ended			
	September 30,	September 30,	Change	% Change	
	2015	2014			
Operating profit	306	205	101	49	%
As a percentage of revenue	8	% 6	%		

The operating profits continue to grow as against the previous fiscal on account of increasing revenues and cost optimization. We expect to operate at the current operating margin levels in the near future.

Finance income/expense

	Quarter ended	Quarter ended			
	September 30,	September 30,	Change	% Change	
	2015	2014			
Finance Income	13	18	(5)	(28)	%
Finance expense	(186)	(132)	(54)	(41)	%
Net Finance income/(expense)	(173)	(114)	(59)	(52)	%

The fall in finance income is due to lower income from bank deposits in the current fiscal year. The increase in finance expenses is due to additional borrowing during the period.

Net Profit

	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Change	% Change	
Net Profit	133	90	43	48	%
As a percentage of revenue	4	% 3	%		

The decrease is on account of higher operating costs during the current fiscal year. We expect improvements in operating margins with a change in revenue mix and scaling.

Results of Six Months ended September 30, 2015 compared to Six Months ended September 30, 2014**Revenues**

The growth in our revenues in fiscal 2015 from fiscal 2014 is given below

	Six Months ended September 30, 2015	Six Months ended September 30, 2014	Change	% Change	
Revenues	7,122	6,123	999	16	%

We have achieved a Revenue of Rs. 7,122 Million (\$108.33 Million), an increase of Rs. 999 Million (\$15.19 Million). The increase is primarily contributed by the Telecom Services, supported by growth in Technology Integrated Services, Cloud and Managed Services, Data Centre services.

The revenue by operating segments is as follows:

	Revenue		Percentage of revenue					
	Six Months		Six months		Six months		Growth	
	ended 2015	ended 2014	ended		ended			
Telecom Services	4,715	4,172	66	%	68	%	13	%
Data Centre Services	742	622	10	%	10	%	19	%
Cloud and Managed Services	439	253	6	%	4	%	74	%
Technology Integration Services	769	614	12	%	10	%	25	%
Applications Integration Services	457	462	6	%	8	%	-1	%
Total	7,122	6,123	100	%	100	%	16	%

Revenue from Telecom Services has increased by Rs. 543 Million (\$8.25 Million) contributed by Data Services Rs. 357 Million (\$5.43 Million) and Rs.186 Million (\$2.82 Million) from Voice Services. Revenue increase of Rs. 357 Million (\$5.43 Million) from Data services was contributed by increase in recurring revenue by Rs. 392 Million (\$5.96 Million), due to increase in number of customer links. This increase was offset by reduction of Rs. 5 Million (\$0.08 Million) in Retail services due to loss of subscribers and prevailing market conditions and decrease in one time revenue of Rs. 30 Million (\$0.46 Million) on account of decrease in installation revenue. Revenue from voice services has increased by Rs. 186 Million (\$2.82 Million) on account of increase in realisations and better margins.

Revenue from Data Centre Services has marginally increased by Rs. 120 Million (\$1.83 Million) on account of higher capacity utilization

Revenue from Cloud and Managed Services has increased by Rs. 186 Million (\$2.82 Million). This segment comprises of cloud services, domestic managed services and Infrastructure managed services. The increase is primarily on account of increase in revenue from Cloud Services by Rs. 138 Million (\$2.08 Million) and increase in Infrastructure Managed Services by Rs. 48 Million (\$0.73 Million).

Revenue from Technology Integration services has increased by Rs. 155 Million (\$2.37 Million). The increase is primarily on account of increase in Systems Integration services by Rs. 164 Million (\$2.49 Million). This increase is offset by a marginal reduction of Rs.8 million (\$0.13 Million) on account of security business.

Revenue from Applications Integration Services has Decreased by Rs. 5 Million (\$0.07 Million). This decrease is primarily on account of Portal services by Rs. 22 Million (\$0.34 Million) due to decrease in engagement from customers and decrease in EAS services by Rs. 4.5 Million (\$0.08 Million), the above decrease was partially off set by increase in revenue from E learning services by Rs. 23 Million (\$0.35 Million) on account of New Customer engagements.

Other income

The change in other income is as follows:

	Six months ended 2015	Six months ended 2014	Change	% Change
Other Income	22	40	(18)	(45)%

During six months ended September 30, 2014, provisions amounting to Rs. 18 Million (\$0.27 Million) were reversed. No such reversals made during current period. Thus, resulting in decrease in other income during current period.

Cost of goods sold and services rendered (COGS)

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

	Six months ended 2015	Six months ended 2014	Change	% Change
Telecom services	2,901	2,554	347	14 %
Data Centre Services	377	336	41	12 %

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Cloud and Managed Services	157	87	70	80	%
Technology Integration Services	439	498	(59)	-12	%
Applications Integration Services	295	233	62	27	%
Total	4,169	3,708	461	12	%

The cost of goods sold has increased by 12% on overall basis, the movement in COGS is explained in detail below:

	Six months ended 2015	Six months ended 2014	Change	% Change	
Network Costs	2,501	2,173	328	15	%
Revenue share	223	208	15	7	%
Cost of goods sold	432	511	(79)	-15	%
Power costs	359	313	46	15	%
Direct Resources costs	432	346	86	25	%
Others	222	157	65	41	%
Total	4,169	3,708	461	12	%

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) Rs. 12 Million increase of Bandwidth costs incurred on account of capacity up gradation and newer links (ii) Rs. 316 Million of Inter connect charges due to the increase in the per unit cost of International Long distance.

Revenue share cost comprises of revenue share payable to DOT on ILD, NLD and other services. Increase in Revenue share is on account increase in revenue from licensed services.

The decrease in cost of hardware and software is on account of lower number of System integration projects and related hardware opportunities.

Power costs comprises of electricity cost incurred for our data centers. Increase in the cost is on account of higher consumption from existing and new facilities.

Direct resources costs comprises of (i) the cost of resources deployed on the Network Infrastructure Delivery and resources involved in delivery of application services (ii) cost of billable resources associated with the e Learning and Infrastructure Managed services. The increase in direct resource costs is on account of higher recruits to support large project integration , part of network infrastructure delivery.

Other direct costs, comprises of Link implementation and maintenance charges for the Telecom services, Direct cost of Application services, digital certificate platform, content costs, subject matter experts for international business. The increase in Other Direct costs is due to increase in (i) Rs. 22 Million on account of increase in number of online assessment tests conducted during the period (ii) Rs. 12 Million in digital certificate services due to higher volumes, (iii) Rs. 3 Million on account of operating costs of cloud services.(iv) Rs. 4 Million in link implementation and maintenance charges and (v) Rs. 3 Million in content costs.

We are continuously in the path of achieving cost efficiencies and process optimization to maximize the return.

Selling, General and Administrative expenses

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

	Six months ended 2015	Six months ended 2014	Change	Change (%)	
Operating Expenses	471	425	46	11	%
Selling & Marketing Expenses	76	26	50	192	%
Associate Expenses	629	494	135	27	%
Other Indirect Expenses	447	431	16	4	%
Provision for doubtful debts and advances	80	100	(20)	-20	%
Forex (gain) / loss	4	(7)	11	157	%
Total	1,707	1,469	238	16	%

Operating costs has increased by 16%, on account of higher implementation cost on network expansion for large projects.

Selling and Marketing costs consist of, selling commission payable to sales partners, discounts payable to customers, incentive to salesmen and marketing and promotion costs. Reduction in selling and marketing is on account of lower expenditure in the earlier period of the current year and continued to be lower on account of lower spend on advertising.

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 increased due to increase in recruitment of associates and pay revision.

Other indirect expense consist of cost of facilities, electricity charges incurred on facilities, travel cost, legal charges, professional charges, communication and others. Increase in other indirect costs is on account of one time higher statutory levy (local body tax) incurred during the same period previous year incurred on account of goods movement for large project implementations.

Provision for doubtful debts consists of the charge on account of the provisions created during the year against doubtful debtors.

Depreciation and amortization

Depreciation and amortization is set forth in the table below:

	Six months ended 2015	Six months ended 2014	Change	% Change
Depreciation and amortization	745	565	180	32 %
As a percentage of carrying value	12 %	9 %		

Increase in depreciation is on account of additional capitalisation of infrastructure pertaining to Rabale Data Center and field assets deployment for large projects amounting to Rs. 1,175 million.

Profit from operating activities

	Six months ended 2015		Six months ended 2014	Change	% Change	
Operating profit	524		420	104	25	%
As a percentage of revenue	7	%	7	%		

The operating profits continue to grow as against the previous fiscal on account of increasing revenues and cost optimization. We expect to operate at the current operating margin levels in the near future.

Finance income/expense

	Six months ended 2015		Six months ended 2014	Change	% Change	
Finance Income	18		30	(12)	(40)	%
Finance expense	(324)		(247)	(77)	(31)	%
Net Finance income/(expense)	(306)		(217)	(89)	(41)	%

The fall in finance income is due to lower income from bank deposits in the current fiscal year. The increase in finance expenses is due to additional borrowing during the period.

Net Profit

	Six months ended 2015		Six months ended 2014	Change	% Change	
Net Profit	218		203	15	(7)	%
As a percentage of revenue	3	%	3	%		

The decrease is on account of higher operating costs during the current fiscal year. We expect improvements in operating margins with a change in revenue mix and scaling.

Liquidity and Capital Resources

We have financed our operations largely through cash generated from operations, equity issuance and bank borrowings. Our liquidity requirements are for meeting working capital needs and capital expenditure required to upgrade and maintain our existing infrastructure.

The following table summarises our cash flows for periods presented:

	Six months ended 2015 Rs. In million	Six months ended 2014 Rs. in million	Six months ended 2015 US \$ in million
Net cash from / (used in) operating activities	1,437	905	21
Net cash from / (used in) investing activities	(745)	(668)	(11)
Net cash from / (used in) financing activities	(304)	53	(4)
Effect of exchange rate changes on cash and cash equivalents	2	(1)	-
Net increase / (decrease) in cash and cash equivalents	390	289	6

As of September 30, 2015 and 2014 we had working capital of Rs. 1,047 million and Rs. 906 million which includes cash and cash equivalents of Rs. 1,111 million and Rs. 922 million respectively. Our working capital net of cash and cash equivalents is Rs. 64 million (negative) and Rs. 16 million (negative) as of September 30, 2015 and 2014. We believe that cash from operations, existing lines of credit and capital availability from promotor group, we have sufficient resources to meet our liquidity requirements.

Our short term borrowings to finance working capital requirements are primarily financed by cash credit facilities with banks. Borrowings for capital expenditures are financed through capital leases and long term loans. We have foreign currency demand loans and cross currency swap for our term loan in Indian Rupee, which carry lower interest rates compared to loans to but are subject to exchange fluctuations, due to which there could be an adverse impact on cash outflows.

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 Rs. 300 million, in connection with this private placement, resulting in an aggregate of Rs. 2,800 million received to 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 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 Rs. 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, with respect to both timing and amount.

We have borrowings of Rs. 4,365 million as of September 30, 2015 out of which Rs. 2,867 million will be repaid within a period of 12 months. Interest outflow on existing borrowings for next year is expected to be Rs. 281 million. We have utilized working capital facility of Rs. 1,633 million out of limit of Rs. 1,680 million during fiscal 2015. We have unutilized unfunded limit of Rs.47 million as on September 30, 2015.

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.

Cash and cash equivalents:

Cash and cash equivalents comprise of Rs. 1,283 million, Rs. 762 million, in bank accounts and Rs. 501 million, Rs. 429 million in the form of bank deposits as of September 30, 2015 and 2014, respectively, out of which cash deposits in the form of margin money is restricted for use by us amounting to Rs. 270 million, Rs. 213 million. Balances in foreign currency amount to Rs.86 million, Rs.82 million as of September 30, 2015 and 2014, respectively.

Net cash generated from operating activities for the six months ended September 30, 2015 was Rs.1,437 million (\$ 21.9 million). This is mainly attributable to increase in trade and other payables by Rs.544 million (\$ 8.27 million), and increase in deferred revenue of Rs.160 million (\$ 2.43 million) on account of increase in progress billing in long term projects. The increase is partially offset by increase in trade and other receivables by Rs. 327 million (\$ 4.97 million), increase in other assets by Rs.72 million (\$ 1.1 million).

Net cash generated from operating activities for the six months ended September 30, 2014 was Rs. 905 million (\$13.7 million). This is mainly attributable to increase in inventories by Rs. 55 (\$0.84 million) and increase in trade and other payables by Rs.903 million (\$13.74 million), and increase in deferred revenue of Rs.196 million (\$ 2.98 million) on account of increase in progress billing in long term projects. The increase is partially offset by increase in trade and other receivables by Rs.951 million (\$14.46 million), increase in other assets by Rs. 172 million (\$2.61 million).

Net cash used in investing activities for the six months ended September 30, 2015 was Rs.745 million (\$ 11.33 million) primarily on account of additional expenditure on data centre in Rabale. Also expenditure on intangibles amounted to Rs.19 million (\$ 0.29 million). The increase was partly offset by increase in finance income by Rs.22 million (\$0.33 million).

Net cash used in investing activities for the six months ended September 30, 2014 was Rs. 668 million (\$10.16 million) primarily on account of expenditure on purchase of routers, modems, ports, servers, other capital equipment for our ongoing expansion plans and for large project implementation. The increase was partly offset by increase in finance income by Rs. 32 million (\$0.48 million).

Net cash used in financing activities for six months ended September 30, 2015 was Rs.304 million (\$ 4.6 million). The increase is mainly due to repayment of lease liabilities of Rs.402 million (\$ 6.1 million), also increase in finance expenses by Rs.322 million (\$ 4.9 million). Also dividend of Rs.170 million (\$ 2.6 million) was paid during the period. The increase is partly offset by increase in borrowing by Rs.590 million (\$ 8.9 million).

Net cash generated from financing activities for six months ended September 30, 2014 was Rs.53 million. The increase is mainly due to repayment of lease liabilities of Rs. 51 million (\$ 0.77 million), also increase in finance expenses by Rs. 254 million (\$ 3.86 million). Also dividend of Rs.160 million (\$ 2.43 million) was paid during the period. The increase is partly offset by increase in borrowing by Rs. 519 million (\$ 7.89 million).

Tax Matters

(a) 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. 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 2015, the corporate income tax rate is 30%, subject to a surcharge of 10% where the taxable total income exceeds Rs. 10 crores (5% of the taxable total income is less than Rs. 10 crores but exceeds Rs. 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%. The Finance Act, 2014 brought about an amendment to the provisions of dividend distribution tax whereby for the purposes of determining the tax on distributed profits, the dividend tax is to be grossed up with the net dividend to be distributed and the dividend distribution tax amount is to be determined on the mentioned grossed up amount thereby resulting in a higher effective rate.

(b) Service tax matters

Effective June 1, 2015, the service tax rate has been increased from 12.36% to 14%. Finance Act (No.2) 2015 also proposes to levy Swachh Bharat Cess of 0.5% effective November 15, 2015. There are multi-year contracts entered into with customers. Customers will not accept increase in service tax rate. Consequently the incremental costs will impact the profitability and cash flow of the company. There may be future increase in service tax rate that will impact our profitability and cash flows adversely.

Off-Balance Sheet Arrangement

We have not entered into any off balance sheet arrangement other than contractual obligations such as operating lease arrangements disclosed below as defined by SEC final rule 67 (FR-67) “Disclosures 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 September 30, 2015:

Payments due by period (Rs. 000s)

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations					
Long term debt obligations	1,783,987	654,919	786,237	334,716	8,115
Short term borrowings	1,053,157	1,053,157	-	-	-
Finance lease obligations	10,50,577	633,293	417,284	-	-
Non-cancellable operating lease obligations	1,251,666	99,558	217,427	230,965	703,716
Purchase obligations	700,499	700,499			

Item 5. 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.

Please see Note 37 to the financial statements included in our Annual Report on Form 20-F for the year ended March 31, 2015.

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.

Recent Accounting Pronouncements

(i) **IFRS 9 Financial Instruments:** In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. 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. 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.

IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new Presentation and disclosure requirements.

The effective date for adoption of IFRS 9 is annual periods beginning on or after January 1, 2018, though early adoption is permitted. The entity is currently evaluating the requirements of IFRS 9, and has not yet determined the impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers: In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15, Revenue from Contracts with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further (ii) the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method. The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2017, though early adoption is permitted.

In September 2015, the IASB issued an amendment to IFRS 15, deferring the adoption of the standard to periods beginning on or after January 1, 2018 instead of January 1, 2017. The group has not yet evaluated the impact of IFRS 15 on the consolidated financial statements.

Critical accounting policies

The accounting policies applied by the group in these Unaudited Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended March 31 2015 except as disclosed in Note 3.c in unaudited condensed consolidated interim financial statements included with this Report. The changes did not have any material impact on the Company.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of September 30, 2015, 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 Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. 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 Securities Exchange Act of 1934, as amended, 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, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in filings and submissions under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, and that material information related to us is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

Changes in internal control over financial reporting

During the period ended September 30, 2015, 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.

Part II. Other Information

Item 1. Legal Proceedings

The company is subject to legal proceedings and claims, which have arisen in the ordinary course of its business. These legal actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations or the financial position of the Company.

See Note 17 of notes to Unaudited Condensed Consolidated Interim Financial Statements in Part I above and Note 34 of the financial statements included in our Annual Report on Form 20-F for the year ended March 31, 2015.

Item 1A. Risk Factors

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussion set forth in Item 1A of our Annual Report on Form 20-F for the fiscal year ended March 31, 2015 and the information under "Forward-Looking Statements" included in this Report. There have been no material changes to our Risk Factors from those disclosed in our Annual Report on Form 20-F for the fiscal year ended March 31, 2015.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

None.

Items 3. Defaults upon Senior Securities

None.

Item 4. Mine safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 9, 2015

SIFY TECHNOLOGIES
LIMITED

By: /s/ M P Vijay Kumar
Name: M P Vijay Kumar
Title: Chief Financial Officer

