

SIFY TECHNOLOGIES LTD
Form 20-F/A
June 19, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No.1)

(Mark One)

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

Or

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

For the fiscal year ended March 31, 2011.

Or

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

For the transition period from _____ to _____

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

Date of event requiring this shell Company report _____

Commission file number 000-27663

Sify Technologies Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation at Registrant's name into English)

Chennai, Tamil Nadu, India

(Jurisdiction of incorporation or organization)

Tidel Park, 2nd Floor

4, Rajiv Gandhi Salai

Taramani, Chennai 600 113 India

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

(Address of principal executive office)

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

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

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

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

Title of each class	Name of each Exchange on which registered
American Depository Shares, each represented by one Equity Share, par value Rs.10 per share	Nasdaq Global Market

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

Title of each class	Name of each Exchange on which registered
None	Not Applicable

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

Not Applicable

(Title of class)

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

178,351,498 Equity Shares.

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

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Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large accelerated filer **Accelerated filer** Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP **International Financial Reporting Standards as issued by the International Accounting Standard Board** Other
If this is an annual report, indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).:

Yes No

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EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (this Amendment No.1) to the Annual Report on Form 20-F for the year ended March 31, 2011, filed with the Securities and Exchange Commission (the SEC) on October 12, 2011 (the Original Form 20-F) by Sify Technologies Limited (the Company), is filed solely to file (i) the audit report of Price Waterhouse related to the consolidated financial statements of MF Global Sify Securities India Private Limited and its subsidiaries as of March 31, 2010 and for each of the two years in the period ended March 31, 2010 and (ii) the consent of ASA & Associates relating to their audit report dated October 11, 2011 with respect to the consolidated financial statements of MF Global Sify Securities India Private Limited and its subsidiaries as of and for the year ended March 31, 2011, each of which were inadvertently omitted from the Original Form 20-F. As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our Chief Executive Officer and Chief Financial Officer are being filed as exhibits to this Amendment No.1 under Item 19.

Other than as described above, this Amendment No.1 does not, and does not purport to, amend, update or restate any other information or disclosure included in the Original Form 20-F or reflect any events that have occurred after the filing date of the Original Form 20-F. Among other things, forward-looking statements contained in the Original Form 20-F have not been revised to reflect events, results or developments that occurred or facts that became known to us after the original filing date, and such forward-looking statements should be read in their historical context.

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Item 18. FINANCIAL STATEMENTS
Consolidated Statements and other Financial Information

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Sify Technologies Limited

We have audited the accompanying consolidated statements of financial position of Sify Technologies Limited and subsidiaries (the Company) as of March 31, 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended March 31,2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements, based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States).Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sify Technologies Limited and subsidiaries as of March 31, 2011 and the results of their operations and their cash flows for the year ended March 31, 2011, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sify Technologies Limited s internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated October 12, 2011 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

ASA & Associates

Independent Registered Public Accounting Firm

Chennai, India

October 12, 2011

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Report of KPMG, Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Sify Technologies Limited

We have audited the accompanying consolidated statement of financial position of Sify Technologies Limited and subsidiaries (the Company) as of March 31, 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended March 31, 2010. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements, based on our audits. We did not audit the consolidated financial statements of MF Global Sify Securities Private Limited (MF Global), (a 29.85% percent owned investee company). The Company s investment in MF Global at March 31, 2010 was Rs. 633,469 (in thousands) and its equity in earnings of MF Global was Rs.91,135 (in thousands) and Rs.64,091 (in thousands) for the years ended March 31, 2010 and March 31, 2009, respectively. The consolidated financial statements of MF Global were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for MF Global, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sify Technologies Limited and subsidiaries as of March 31, 2010, and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2010, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG

Chennai, India

November 30, 2010

Table of Contents**Sify Technologies Limited****Consolidated Statement of Financial Position**

(In thousands of Rupees, except share data and as otherwise stated)	September 30, Note	September 30, As at March 31, 2011 Rs	September 30, As at March 31, 2010 Rs	September 30, As at March 31, 2011 Convenience translation into US\$ thousands (Unaudited) Note 2(c)
Assets				
Property, plant and equipment	5	3,760,473	3,452,022	84,221
Intangible assets	6	104,626	129,524	2,344
Investment in equity accounted investee	7	702,363	633,469	15,730
Lease prepayments	9	63,068	273,911	1,412
Other assets	10	672,843	554,358	15,069
Other investments	15	160		4
Deferred tax assets	11			
Total non-current assets		5,303,533	5,043,284	118,780
Inventories	12	15,637	21,488	350
Trade and other receivables, net	13	3,185,913	3,195,012	71,353
Prepayments for current assets	14	190,191	191,318	4,260
Restricted cash	8	84,538	360,909	1,893
Cash and cash equivalents	8	458,559	517,789	10,270
Total current assets		3,934,838	4,286,516	88,126
Total assets		9,238,371	9,329,800	206,906
Equity				
Share capital	16	858,832	546,332	19,235
Share premium		17,216,121	16,528,621	385,579
Share based payment reserve		190,325	180,124	4,263
Other components of equity		7,365	3,374	165
Accumulated deficit		(13,606,851)	(13,087,359)	(304,745)
Total equity attributable to equity holders of the Company		4,665,792	4,171,092	104,497
Non-controlling interest				
Total equity		4,665,792	4,171,092	104,497

Table of Contents**Sify Technologies Limited****Consolidated Statement of Financial Position**

(In thousands of Rupees, except share data and as otherwise stated)	September 30,	September 30,	September 30,	September 30,
	Note	As at March 31, 2011 Rs	As at March 31, 2010 Rs	As at March 31, 2011 Convenience translation into US\$ thousands (Unaudited) Note 2(c)
Liabilities				
Finance lease obligations, other than current installments	17	127,746	155,347	2,861
Borrowings	20	262,608	449,424	5,881
Employee benefits	18	47,788	54,807	1,070
Other liabilities	19	163,245	165,800	3,657
Total non-current liabilities		601,387	825,378	13,469
Finance lease obligations, current installments	17	60,507	45,970	1,355
Borrowings	20	1,035,802	952,846	23,198
Bank overdraft	8	678,901	1,060,284	15,205
Trade and other payables	21	1,783,388	1,855,664	39,941
Deferred income	22	412,594	418,566	9,241
Total current liabilities		3,971,192	4,333,330	88,940
Total liabilities		4,572,579	5,158,708	102,409
Total equity and liabilities		9,238,371	9,329,800	206,906

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

Table of Contents**Sify Technologies Limited****Consolidated Statement of Income**

(In thousands of Rupees, except share data and as otherwise stated)	September 30,	September 30,	September 30,	September 30,	September 30,
	Note	2011 Rs	2010 Rs	2009 Rs	Year ended March 31, 2011 Convenience translation into US\$ thousands (Unaudited) Note2(c)
Revenue					
- Rendering of services		6,283,569	5,657,140	5,519,140	140,729
- Sale of products		603,060	1,053,048	643,021	13,507
Total	23	6,886,629	6,710,188	6,162,161	154,236
Cost of goods sold and services rendered					
- Rendering of services		(3,655,994)	(3,157,472)	(3,033,798)	(81,881)
- Sale of products		(553,436)	(939,066)	(579,551)	(12,395)
Total	25	(4,209,430)	(4,096,538)	(3,613,349)	(94,276)
Other income	26	72,693	131,789	89,105	1,628
Selling, general and administrative expenses	28	(2,441,799)	(2,482,415)	(2,813,425)	(54,688)
Depreciation and amortization	5 & 6	(685,836)	(656,797)	(498,872)	(15,360)
Impairment loss on intangibles including goodwill	6	(1,857)	(47,269)	(15,200)	(42)
Income from legal settlement	27		561,120		
Profit / (loss) from operating activities		(379,600)	120,078	(689,580)	(8,502)
Finance income	31	45,698	27,994	122,565	1,023
Finance expenses	31	(258,622)	(293,873)	(251,660)	(5,792)
Net finance income / (expense)	31	(212,924)	(265,879)	(129,095)	(4,769)
Share of profit of equity accounted investee	7	73,032	91,135	64,091	1,636
Profit / (loss) before tax		(519,492)	(54,666)	(754,584)	(11,635)
Income tax (expense) / benefit	11		81,479	(97,049)	
Profit / (loss) for the year		(519,492)	26,813	(851,633)	(11,635)
Attributable to:					
Equity holders of the Company		(519,492)	17,027	(900,574)	(11,635)
Non-controlling interest			9,786	48,941	
		(519,492)	26,813	(851,633)	(11,635)
Earnings / (loss) per share	32				
Basic earnings /(loss) per share		(8.20)	0.33	(20.77)	(0.18)
Diluted earnings/(loss) per share		(8.20)	0.33	(20.77)	(0.18)

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

Table of Contents**Sify Technologies Limited****Consolidated Statement of Comprehensive Income**

	September 30,	September 30,	September 30,	September 30,	September 30,
		2011	Year ended March 31, 2010	2009	2011
(In thousands of Rupees, except share data and as otherwise stated)	Note	Rs	Rs	Rs	Convenience translation into US\$ thousands Note 2(c) (Unaudited)
Profit / (loss) for the year		(519,492)	26,813	(851,633)	(11,635)
Other comprehensive income					
Foreign currency translation differences for foreign operations		(229)	1,682	(1,256)	(5)
Defined benefit plan actuarial gains / (losses)		8,358	5,508	(4,346)	187
Change in fair value of available for sale investments, transferred to profit or loss			6,441		
Change in fair value of available for sale investments				(5,361)	
Share of gains and (losses) from equity accounted investees (net of taxes)		(4,138)	(566)	296	(93)
Other comprehensive income for the year, net of income tax		3,991	13,065	(10,667)	89
Total comprehensive income for the year	16	(515,501)	39,878	(862,300)	(11,546)
Attributable to:					
Equity holders of the Company		(515,501)	30,092	(911,241)	(11,546)
Non-controlling interest			9,786	48,941	
Total comprehensive income/(expense) for the year		(515,501)	39,878	(862,300)	(11,546)

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

Table of Contents**Sify Technologies Limited****Consolidated Statement of Changes in Equity**

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

For year ended March 31, 2011

Particulars	September 30, Share capital	September 30, Share premium	September 30, Share based payment reserve	September 30, Other components of equity	September 30, Retained earnings / (accumulated deficit)	September 30, Total	September 30, Non- controlling interest	September 30, Total equity
Balance at April 1, 2010	546,332	16,528,621	180,124	3,374	(13,087,359)	4,171,092		4,171,092
Total comprehensive income for the year				3,991	(519,492)	(515,501)		(515,501)
Transactions with owners, recorded directly in equity								
Issue of share capital	312,500	687,500				1,000,000		1,000,000
Share-based payment transactions			10,201			10,201		10,201
Balance at March 31, 2011	858,832	17,216,121	190,325	7,365	(13,606,851)	4,665,792		4,665,792

Table of Contents**Sify Technologies Limited****Consolidated Statement of Changes in Equity**

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

For year ended March 31, 2010

Particulars	September 30, Share capital	September 30, Share premium	September 30, Share based payment reserve	September 30, Other components of equity	September 30, Retained earnings / (accumulated deficit)	September 30, Total	September 30, Non- controlling interest	September 30, Total equity
Balance at April 1, 2009	441,018	16,375,217	149,535	(9,691)	(13,104,386)	3,851,693	248,848	4,100,541
Total comprehensive income for the year				13,065	17,027	30,092	9,786	39,878
Transactions with owners, recorded directly in equity								
Issue of share capital	105,300	737,537				842,837		842,837
Share options exercised	14	70				84		84
Share-based payment transactions			30,589			30,589		30,589
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Acquisition of non-controlling interest		(584,203)				(584,203)	(258,634)	(842,837)
Balance at March 31, 2010	546,332	16,528,621	180,124	3,374	(13,087,359)	4,171,092		4,171,092

Table of Contents**Sify Technologies Limited****Consolidated Statement of Changes in Equity**

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

For year ended March 31, 2009

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
Particulars	Share capital	Share premium	Share based payment reserve	Other components of equity	Retained earnings / (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at April 1, 2008	441,018	16,368,647	149,398	976	(12,265,055)	4,694,984	199,907	4,894,891
Total comprehensive income for the year				(10,667)	(900,574)	(911,241)	48,941	(862,300)
Transactions with owners, recorded directly in equity								
Share-based payment transactions			61,380			61,380		61,380
Stock options lapsed			(61,243)		61,243			
Others		6,570				6,570		6,570
Balance at March 31, 2009	441,018	16,375,217	149,535	(9,691)	(13,104,386)	3,851,693	248,848	4,100,541

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

Table of Contents**Sify Technologies Limited****Consolidated Statements of Cash Flows**

For the fiscal years ended March 31,

(In thousands of Rupees, except share data and as otherwise stated)	September 30,	September 30,	September 30,	September 30,
	2011 Rs	Year ended March 31, 2010 Rs	2009 Rs	2011 Convenience translation into US\$ thousands (Unaudited) Note 2(c)
Profit/(loss) for the year	(519,492)	26,813	(851,633)	(11,635)
<i>Adjustments for:</i>				
Depreciation and amortization	685,836	656,797	498,872	15,360
Impairment loss on intangibles including goodwill	1,857	47,269	15,200	42
Share of profit of equity accounted investee	(73,032)	(91,135)	(64,091)	(1,636)
(Gain) / loss on sale of property, plant and equipment	(594)	(2,414)	(828)	(13)
Provision for doubtful receivables	161,922	121,987	84,346	3,626
Provision for finance lease receivables			6,929	
Realized loss on sale of investments		373		
Stock compensation expense	10,201	30,589	61,380	229
Net finance (income) / expense	212,924	265,879	129,095	4,769
Income tax expense/(benefit)		(81,479)	97,049	
Unrealized (gain)/ loss on account of exchange differences	1,196	703	455	27
Amortization of leasehold prepayments		3,917	8,403	
Provision for infrastructure costs			10,000	
	480,818	979,299	(4,823)	10,853
Change in trade and other receivables	(153,560)	(585,805)	(314,349)	(3,439)
Change in inventories	5,851	17,600	(1,337)	131
Change in other assets	(34,082)	(64,112)	224,625	(763)
Change in trade and other payables	(26,597)	517,497	(171,261)	(596)
Change in employee benefits	1,341	(3,984)	17,704	30
Change in deferred income	(5,972)	63,762	(13,555)	(134)
	267,799	924,257	(262,996)	5,998
Income taxes paid	(42,440)	(164,455)	(108,560)	(951)
Net cash from / (used in) operating activities	225,359	759,802	(371,556)	5,047

Table of Contents**Sify Technologies Limited****Consolidated Statements of Cash Flows**

For the fiscal years ended March 31,

(In thousands of Rupees, except share data and as otherwise stated)	September 30,	September 30,	September 30,	September 30,
	2011 Rs	Year ended March 31, 2010 Rs	2009 Rs	2011 Convenience translation into US\$ thousands (Unaudited) Note 2(c)
Cash flows from / (used in) investing activities				
Acquisition of property, plant and equipment	(674,558)	(759,435)	(1,170,905)	(15,107)
Expenditure on intangible assets	(120,710)	(220,299)	(165,247)	(2,703)
Proceeds from sale of property, plant and equipment	3,109	5,979	2,393	69
Net investment in leases			5,111	
Payment towards purchase of unquoted equity shares	(160)			(4)
Finance income received	61,669	57,130	154,492	1,381
Short term investments (net)		19,942		
Net cash from / (used in) investing activities	(730,650)	(896,683)	(1,174,156)	(16,364)
Cash flows from / (used in) financing activities				
Proceeds from issue of share capital (including share premium)	1,000,000	84		22,396
Proceeds from / (repayment) of borrowings (net)	(103,860)	8,409	1,227,733	(2,326)
Finance expenses paid	(293,265)	(318,723)	(249,908)	(6,568)
Repayment of finance lease liabilities	(51,175)	(44,256)	(9,028)	(1,146)
Net cash from / (used in) financing activities	551,700	(354,486)	968,797	12,356
Net increase / (decrease) in cash and cash equivalents	46,409	(491,367)	(576,920)	1,039
Cash and cash equivalents at April 1	(181,586)	312,715	888,690	(4,067)
Effect of exchange fluctuations on cash held	(627)	(2,934)	945	(14)
Cash and cash equivalents at March 31	(135,804)	(181,586)	312,715	(3,042)

Refer note 3 (c) and note 8 for the composition of cash and cash equivalents.

Supplementary information

Additions to property, plant and equipment represented by finance lease obligations	38,111	99,950	158,962	854
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The accompanying notes form an integral part of these consolidated financial statements

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SIFY TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting entity

Sify Technologies Limited, (Sify or the Company) formerly known as Sify Limited, is a leading internet services provider headquartered in Chennai, India. These Consolidated Financial Statements comprise the Company and its subsidiaries (Sify Software Limited, Sify Technologies (Singapore) Pte. Limited and Sify International Inc.) (together referred to as the Group and individually as Group entities) and the Group's interest in MF Global Sify Securities India Private Limited, an equity accounted investee. The Group is primarily involved in providing services, such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content offerings and in selling hardware and software related to such services. Sify is listed on the NASDAQ Global Market in the United States.

2. Basis of preparation

a. Statement of compliance

The accompanying Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB).

These Consolidated Financial Statements have been approved for issue by the Board of Directors on October 12, 2011

b. Basis of measurement

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

Available for sale financial assets are measured at fair value

Derivative financial instruments are measured at fair value

Financial instruments at fair value through profit or loss are measured at fair value.

The defined benefit asset is recognised as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

In relation to lease prepayments, the initial fair value of the security deposit, is estimated as the present value of the refundable amount, discounted using the market interest rates for similar instruments. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment.

The above items have been measured at fair value and the methods used to measure fair values are discussed further in Note 4.

c. Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Indian rupee is the functional currency of Sify, its domestic subsidiaries and affiliates. The U.S. dollar is the functional currency of Sify's foreign subsidiaries located in the United States and in Singapore.

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The Consolidated Financial Statements are presented in Indian Rupees which is the Group's presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest thousand except where otherwise indicated.

Convenience translation (unaudited): Solely for the convenience of the reader, the financial statements as of and for the year ended March 31, 2011 have been translated into United States dollars (neither the presentation currency nor the functional currency of the Group) based on the reference rate in the City of Mumbai on March 31, 2011, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs.44.65 per \$1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollar at such a rate or at any other rate on March 31, 2011 or at any other date.

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d. Use of estimates and judgements

The preparation of Consolidated 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. 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 in which the estimates are revised and in future periods affected.

In particular, areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include the following:

Measurement of the recoverable amounts of cash-generating units containing goodwill (Note 6)

Useful lives of property, plant and equipment (Note 3 e and Note 5)

Useful lives of intangible assets (Note 3 f and Note 6)

Lease classification (Note 3 g, 9, 17 and 33)

Utilization of tax losses (Note 11)

Measurement of defined employee benefit obligations (Note 18)

Measurement of share-based payments (Note 30 and Note 37)

Valuation of financial instruments (Note 3 c, 4, 38 and 39)

Provisions and contingencies (Note 3 m and 35)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power directly/indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(ii) Associates (equity accounted investees)

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Associates are those entities where the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency**(i) Foreign currency transactions**

Transactions in foreign currencies on initial recognition are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale financial assets that are not monetary items, are recognised directly in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Indian Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Indian rupees using average exchange rates during the period. Foreign currency differences are recognised in other comprehensive income. Such differences are captured in the foreign currency translation reserve (FCTR) within other components of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

c. Financial instruments**(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. However if the instrument is recognized as at fair value through profit or loss then any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Non-derivative financial assets**a) Available-for-sale financial assets**

Available-for-sale (AFS) financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss in accordance with IAS 39.

Investments in equity and certain debt securities are initially recognised at fair value and classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in other comprehensive income. When an investment is de-recognised, the cumulative gain or loss in equity is transferred to profit or loss. These are presented as current assets unless the management intends to dispose of the assets after 12 months from the balance sheet date.

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b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are initially measured at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less any impairment loss. Loans and receivables are represented by trade receivables, unbilled revenue, cash and cash equivalents. Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

c) Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities to the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(ii) Derivative financial instruments

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies.

These derivative contracts do not qualify for hedge accounting under IAS 39, and are initially recognised at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognised immediately in profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

d. Share capital

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

e. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. To the extent the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditure incurred on such asset. The capitalization rate is determined based on the weighted average of borrowing costs applicable to the borrowings of the Group which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing costs that the Group capitalizes during a period does not exceed the amount of borrowing costs incurred during that period. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / other expenses in statement of income.

(i) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(ii) Depreciation

Depreciation is recognised in the consolidated statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Management's estimated useful lives for the years ended March 31, 2011, 2010 and 2009 were as follows:

	September 30, Estimate of useful life in years
Buildings	28
Plant and machinery comprising computers, servers etc.	3 - 5*
Plant and machinery comprising other items	8*
Furniture and fittings	5
Office equipment	5
Motor vehicles	3 - 5

* Revised during the year ended March 31, 2008. Also refer note 5.

Depreciation method, useful lives and residual values are reviewed at each of the reporting date.

f. Business combinations and intangible assets**(i) Business combinations**

Business combinations are accounted for using IFRS 3 (Revised), Business Combinations. IFRS 3 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuation are conducted by independent valuation experts.

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

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

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(ii) Goodwill

Goodwill represents the cost of a business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree.

Acquisitions prior to April 1, 2006

In respect of acquisitions prior to April 1, 2006, goodwill, if any, represents the amount recognised under the Group's previous accounting framework, US GAAP.

Acquisitions on or after April 1, 2006

For acquisitions on or after April 1, 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), the Group reassesses the identification and measurement of identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of acquisition, and recognizes any remaining excess in profit or loss immediately on acquisition.

Acquisition of non-controlling interest

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity-holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investee.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset. Borrowing costs that are directly attributable to the acquisition of qualifying intangible asset are capitalized as part of the cost of that asset. To the extent the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowings costs eligible for capitalization by applying a capitalization rate to the expenditure incurred on such asset. The capitalization rate is determined based on the weighted average of borrowing costs applicable to the borrowings of the Group which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing costs that the Group capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.

(iv) Subsequent expenditure

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

(v) Amortisation of intangible assets with finite useful lives

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

**September 30,
Estimate of useful life in
years**

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Software	Not exceeding 3 years
Technical know-how	5 years
License fees	20 years
Portals and web development cost	5 years
Customer related intangibles	5 years

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

g. Leases

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

Assets taken on finance lease:

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

Assets taken on operating lease:

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Assets given on finance lease:

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

Deposits provided to lessors:

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

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

h. 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. Cost comprises cost of purchase and all directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i. Construction contracts in progress

Construction contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contracts and activities based on normal operating capacity.

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Construction contract in progress is presented as part of trade and other receivable in statement of financial position for all contracts in which costs incurred plus recognised profit exceed progress billings. If progress billings exceeds cost incurred plus recognised profits, then the difference is presented as deferred income / revenue in the statement of financial position.

j. Impairment

Financial assets

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

Financial assets measured at amortized cost

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

Available-for-sale financial assets

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

Loans and receivables

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

Reversal of impairment loss

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

Non-financial assets

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

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

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

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An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised 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*.

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Reversal of impairment loss

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

k. Employee benefits

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

(a) Defined contribution plan (Provident fund)

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

(b) Defined benefit plans (Gratuity)

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

The Group recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income and presented within equity. The Company has an employees' gratuity fund managed by the Life Insurance Corporation of India (LIC).

(c) Short term benefits

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

(d) Compensated leave of absence

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

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

Indian tax regulations required the Group to pay Fringe Benefit Tax (FBT) upon the exercise of employee stock options. The amount of FBT arising on exercise of employee stock options is calculated by reference to the difference between the fair value of the underlying share at the date of vesting and the exercise price payable by the employee, i.e. the intrinsic value of the option at the vesting date. The Group recognizes the liability for the amount of FBT over the vesting period. The Group's obligation to pay FBT arises only upon the exercise of options by the employees. The amount of FBT payable by the Group is recovered from the employees upon the exercise of their stock options. The Group recognizes a FBT recoverable from its employees when it is virtually certain that the reimbursement will be received if the Group settles the obligation. The amounts of FBT payable and recoverable are disclosed separately in the balance sheet and are not offset with each other. With the abolition of FBT with effect from April 1, 2009, the FBT is not chargeable on the exercise of employee stock options.

m. Provisions

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

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

n. Revenue

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

Revenue from services rendered is recognized in the consolidated income statement in proportion to the stage of completion of the transaction at the reporting date.

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

(i) Corporate network/data services

Corporate network service revenues primarily include connectivity services and sale of hardware and software (purchased from third party vendors), and to a lesser extent, installation of a connectivity link, and other ancillary services such as e-mail and domain registration. Generally these elements are sold as a package consisting all or some of the elements. In these cases the Group applies the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are recognised as separable elements because each element constitutes a separate earnings process, each element has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements. In this arrangement involving delivery of multiple elements, the units of accounting are determined based on whether the delivered items have a value to the customer on a stand alone basis, whether there is objective and reliable evidence of fair value of the undelivered elements and if the arrangement includes a general right of return relative to the delivered item, whether delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Group. The arrangement consideration is allocated to the units of accounting based on their relative fair values. Revenue on delivered items is recognised when the revenue recognition criteria applicable to that unit of accounting are met.

The Group provides connectivity for a fixed period of time at a fixed rate regardless of usage. Connectivity is the last element that is provided in the case of a bundled contract. The connectivity charges are the same when sold alone or as part of a package. The revenue attributable to connectivity services is recognised ratably over the period of the contract. The hardware and software are standard products that are freely traded in and purchased from the market, have standard specifications and are not otherwise customized for the specific needs of a customer. The software sold by the Group is off-the-shelf software, such as antivirus utilities and firewalls. The fair value for the hardware and software is available from the market. The revenue attributable to hardware/software is recognised on delivery. Trading transactions relating to standard hardware and software and involving arrangement of purchases from suppliers and sales to customers are reported on gross basis or on net basis, by carrying out a fact-specific evaluation of such transactions. In circumstances where there is multi element arrangement that includes both hardware/software sales and last mile connectivity services, revenue from sale of hardware/software is recognised only upon completion of the services relating to last mile connectivity. Installation consists of commissioning of the last mile connectivity to the customer premises either through the Group's wireless mode of broadband delivery or through the carrier exchange. However, once commissioned this last mile connectivity can be used by the customer to access any other service provider. When the customer has such last mile connectivity, the Group does not charge any installation fee. Due to the short duration, the revenue attributable to the installation of the link is recognised on completion of the installation work. Revenue from ancillary services such as e-mail and domain registration are recognised over the period such facilities are provided. All revenues are shown exclusive of sales tax and service tax.

Web hosting service revenues primarily include co-location services and connectivity services. On occasions, the Group also sells related hardware/software to its web hosting customers. At all times, such hardware and software belongs to the customer. This hardware as well as software are purchased from outside vendors and are freely traded in the market. The Group treats each element as a separate component of the arrangement which have separate earnings process. The value of the hosting service is determined based on fair value from similar services provided separately by the Group. When hardware and/or software is also included with hosting services and sold as a package, the revenue is allocated to the respective element based on their relative fair values. Revenue from hosting services is recognised over the period during which the service is provided.

The Group remotely manages the Information Technology infrastructure of global enterprises from India. The contracts are on time and material basis. Revenue in relation to time is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

The Company provides NLD (National Long Distance) and ILD (International Long Distance) services through company's network. The Company carries voice traffic, both national and international, using the IP back-bone and delivers voice traffic to Direct Inter-connect Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company's network.

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

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(ii) Internet access services

Internet access services include Internet access at homes and businesses through dial-up or cable operator and internet access through a network of cybercafés. It also includes revenues from Voice over Internet Protocol (VoIP) or Internet telephony.

Dial-up Internet access is sold to customers either for a specified number of hours or for an unlimited usage within a specified period of time. Customers purchase user accounts or top-ups that enable them to access the Internet for a specified quantum of usage or for a specified period of time all within a contracted period. The amount received from customers on the sale of these user accounts or top-ups are not refundable. The revenue from sale of user accounts or top-ups is measured based on usage (where access is for a specified quantum of usage) or based on the time of usage (where access is for a specified period of time) by the customer. Any unused hours at the end of the contracted period are recognised as revenue.

VoIP services are mainly provided through Internet Telephony Booths at e-ports (formerly iway s) cybercafés and to a smaller extent through Cable TV operators, (CTOs). The user purchases the packs that enable them to use the Internet telephone facility through CTOs and revenue is recognised on the basis of usage by the customer. The customers use Internet telephony facilities at the iway cybercafés and make the payment to the extent of usage of the facility.

Internet access at homes and businesses through cable networks is provided through a franchised network of cable operators in India. Customers buy user accounts for a specified usage or volume of data transfer or for a specified period of time all within a contracted period. Revenues are recognised on actual usage by customer (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time). Any unused hours at the end of the contracted period are recognised as revenue.

In the case of franchised cybercafé operators, the Group enters into an agreement with the franchisee that establishes the rights and obligations of each party and grants each franchisee a non-exclusive license to operate the cybercafé using the Group s logo, brand and trade names. The cybercafés are owned and operated by the franchisees. The franchisee procures the retail space, invests in furniture, interior decor, PCs, and point of sale signage and employs and trains the franchisee staff. The franchisee is responsible for the maintenance of the premises and interface with customers. The Group provides the complete backend support, including bandwidth, the authentication/usage engine and the billing and collection system.

In the case of franchised cable network operators and franchised cybercafé operators, the Group enters into a standard arrangement with franchisees that provides for the payment to the Company, of an initial non-refundable franchisee fee in consideration for establishing the franchisee relationship and providing certain initial services. The fee covers the following upfront services rendered by the Group:

conducting a market survey and deciding on the best location for the cybercafé or cable head end;

installing the broadband receiver equipment on the roof top of the cybercafé or the cable head end and connecting it to one of Sify s broadcasting towers;

obtaining the regulatory approvals for clearance of the site for wireless transmission at the allotted frequency range;

installing the wiring from the receiver unit to the individual PCs in the cybercafé or the transmitting equipment in the cable head end;

assisting in obtaining facilities, including computers and interiors for the cybercafés; and

providing the operations manual with instructions and guidelines for running the cybercafé or distributing Internet access through cable network.

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The initial franchisee fee revenue is recognised as revenue when all of the obligations required of the Group have been substantially accomplished or provided. Internet access revenue and Internet telephony revenues are recognised based on usage by the customer.

(iii) Online portal services

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

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In the case of electronic commerce transactions, there are no performance obligations or minimum guarantees. The Group acts in the capacity of an agent rather than as the principal for these transactions, and the revenue recognised on a net basis is the amount of the commission earned by the Group.

In the case of value-added services that are rendered using Sify's mobile telephone short code 54545, revenue is recognised upon delivery of the content/ring tones to the end subscriber and confirmation by the mobile phone service provider.

(iv) Other services

The Group provides e-learning software development services to facilitate web-based learning in various organizations. These customized services vary in size from customer to customer and relate to computer based and web based training in accordance with the customer specification. These services include information presentation, structured content delivery, content digitization and simulation based training. These services are generally provided on a fixed price basis. Revenue under such contracts is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of transaction at the reporting date. The stage of completion being determined based on the actual time spent to the total estimated time.

(v) Deferred income

Deferred income represents billing in excess of revenue recognized.

o. Export entitlements

Income in respect of import duty credit entitlement arising from export of services under the Served from India Scheme of the Government of India is recognised in the year of exports, provided there is no significant uncertainty as to the amount of entitlement and availment of the credit.

p. Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises interest expense on loans and borrowings, bank charges, unwinding of the discount on provision, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss that are recognised in statement of income.

q. Borrowing costs

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

r. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

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Deferred tax is recognised 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 recognised 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 recognised for taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Deferred taxation arising on investments in subsidiaries and associates is recognised 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 realise 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 realise the undistributed earnings through dividend, the Group's share of the income and expenses of the equity method accounted investee is recorded in the statement of income, after considering any taxes on dividend payable by the equity method accounted investee and no deferred tax is set up in the Group's books as the tax liability is not with the group.

s. Earnings / (loss) per share

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

t. Recent accounting pronouncements

In November 2009, the IASB issued *IFRS 9, Financial instruments*, to introduce certain new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. The standard along with proposed expansion of IFRS 9 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable for annual periods beginning on or after January 1, 2013, although entities are permitted to adopt earlier. We are evaluating the impact which this new standard will have on our consolidated financial statements.

In November 2009, the IASB issued *IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*, to introduce requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares and other equity instruments to settle the financial liability fully or partially. This Interpretation is effective for annual periods beginning on or after July 1, 2010.

In May 2011, the IASB issued new standards and amendments on consolidated financial statements and joint arrangements. The following are new standards and amendments:

IFRS 10, Consolidated financial statements .

IFRS 11, Joint arrangements .

IFRS 12, Disclosure of interests in other entities .

IAS 27 (Revised 2011), Consolidated and separate financial statements , which has been amended for the issuance of IFRS 10 but retains the current guidance on separate financial statements.

IAS 28 (Revised 2011), Investments in associates , which has been amended for conforming changes on the basis of the issuance of IFRS 10 and IFRS 11.

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All the standards mentioned above are effective for annual periods beginning on or after January 1, 2013; earlier application is permitted as long as each of the other standards in this group is also early applied. We are in the process of determining the impact of these amendments on our consolidated financial statements.

On June 16, 2011, the IASB issued an amendment to *IAS-19 Employee benefits*, which amended the standard as follows:

requires recognition of changes in the net defined benefit liability/(asset), including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements.

introduced enhanced disclosures about defined benefit plans.

modified accounting for termination benefits, including distinguishing benefits provided in exchange for services from benefits provided in exchange for the termination of employment, and it affected the recognition and measurement of termination benefits.

provided clarification regarding various issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

incorporated, without change, the IFRS Interpretations Committee's requirements set forth in *IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

These amendments are effective for annual periods beginning on or after January 1, 2013; earlier application is permitted. The Group is in the process of determining the impact of these amendments on our consolidated financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is an estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approach using quoted market prices for similar items when available and replacements costs when appropriate.

(ii) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Intangible assets

The fair value of intangible assets acquired in the business combinations is based on discounted cash flows expected to be derived from the use and eventual sale of assets (terminal value).

(iv) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted price at the reporting date. When the fair value of the financial asset cannot be measured reliably, it is measured at cost.

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(v) Trade and other receivables

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

(vi) Derivatives

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

(vii) Non derivative financial liabilities

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

(viii) Share-based payment transactions

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

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5. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the year ended March 31, 2011

September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
As at April 01, 2010	Cost		As at March 31, 2011	As at April 1, 2010	Accumulated depreciation		As at March 31, 2011	
	Additions	Disposals			Depreciation for the year	Deletions		
777,419			777,419	177,072	27,754		204,826	
5,302,696	199,591	68,928	5,433,359	2,929,688	474,168	68,246	3,335,610	
517,904	46,736	864	563,776	429,631	49,854	780	478,705	
228,418	6,214	507	234,125	107,252	23,181	501	129,932	
706,148	15,731	8,520	713,359	445,437	64,442	6,777	503,102	
6,191		3,262	2,929	6,191		3,262	2,929	
7,538,776	268,272	82,081	7,724,967	4,095,271	639,399	79,566	4,655,104	
7,538,776	268,272	82,081	7,724,967	4,095,271	639,399	79,566	4,655,104	

The following table presents the changes in property, plant and equipment during the year ended March 31, 2010

September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	Septem Carry amo as Mar 201
As at April 01, 2009	Cost		As at March 31, 2010	As at April 1, 2009	Accumulated depreciation		As at March 31, 2010		
	Additions	Disposals			Depreciation for the year	Deletions			
769,663	7,756		777,419	148,401	28,671		177,072		
4,733,122	827,043	257,469	5,302,696	2,765,920	420,314	256,546	2,929,688		2,
497,223	26,462	5,781	517,904	367,972	66,709	5,050	429,631		
162,132	68,106	1,820	228,418	96,955	12,070	1,773	107,252		
628,279	101,188	23,319	706,148	389,771	77,608	21,942	445,437		
8,269		2,078	6,191	6,420	1,360	1,589	6,191		
6,798,688	1,030,555	290,467	7,538,776	3,775,439	606,732	286,900	4,095,271		3,
6,798,688	1,030,555	290,467	7,538,776	3,775,439	606,732	286,900	4,095,271		3,

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The following table presents the changes in property, plant and equipment during the year ended March 31, 2009

	September 30, As at April 01, 2008	September 30, Additions	September 30, Disposals	September 30, As at March 31, 2009	September 30, As at April 1, 2008	September 30, Depreciation for the year	September 30, Deletions	September 30, As at March 31, 2009	September 30, Carrying amount as at March 31, 2009
Cost									
Accumulated depreciation									
Buildings	769,663			769,663	120,924	27,477		148,401	621,262
Plant and machinery	3,683,632	1,097,317	47,827	4,733,122	2,526,445	286,805	47,330	2,765,920	1,967,202
Computer equipment	438,597	58,824	198	497,223	297,049	71,001	78	367,972	129,252
Office equipment	116,691	47,090	1,649	162,132	83,928	14,673	1,646	96,955	65,177
Furniture and fittings	422,939	208,486	3,146	628,279	339,750	52,720	2,699	389,771	238,509
Motor vehicles	9,174		905	8,269	3,846	2,981	407	6,420	1,846
Total	5,440,696	1,411,717	53,725	6,798,688	3,371,942	455,657	52,160	3,775,439	3,023,249
Construction in progress									237,666
Total	5,440,696	1,411,717	53,725	6,798,688	3,371,942	455,657	52,160	3,775,439	3,260,915

Change in estimated useful life

On the basis of a comprehensive evaluation during the year ended March 31, 2008, the Group had revised the estimated useful lives of its networking equipment (included under plant and machinery) and computers. As a result, the expected useful life of its networking equipment has been increased from 5 to 8 years and the expected useful life of computers has been decreased from 5 to 3 years. The effects of such changes on the depreciation expense for the years ended March 31, 2008, 2009, 2010 and 2011 are as follows:

	September 30, 2008	September 30, 2009	September 30, 2010	September 30, 2011
Decrease / (increase) in depreciation expense	110,315	98,650	61,498	(17,674)

Leased assets

The Group's leased assets include certain buildings, plant and machinery acquired under finance leases. As at March 31, 2011 the net carrying amount of buildings and plant and machinery acquired under finance leases is Rs.244,926 (March 31, 2010: Rs.255,244) and Rs.217,625 (March 31, 2010: 215,669) respectively. During the year, the Group acquired leased assets of Rs 38,111 (March 31, 2010: Rs 99,950).

In case prepayments are made towards buildings accounted for as finance leases, such prepayments are capitalized as Leasehold Buildings (included in buildings) on the commencement of the lease term under the head Property, plant and equipment and depreciated in accordance with the depreciation policy for similar owned assets.

Capital Commitments

As of March 31, 2011 and March 31, 2010, the Company was committed to spend approximately Rs.521,562 (net of advances Rs.691,338) and Rs.30,552 (net of advances Rs.8,516) respectively, under agreements to purchase property, plant and equipment.

Construction in progress

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Amounts paid towards acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment that are not ready to be put into use are disclosed under construction-in-progress. As of March 31, 2011, construction work in progress includes Rs.682,825 (March 31, 2010: Nil) paid for acquisition of leasehold land together with building by way of acquisition of ordinary shares in Hermit Projects Private Limited. Also refer note 37.

Security

As at March 31,2011 properties with a carrying amount of Rs.2,615,097 (March 31, 2010: Rs.2,981,212) are subject to a registered charge to secure bank borrowings.

Table of Contents**6. Intangible assets**

Intangible assets comprise the following:

	September 30, March 31, 2011	September 30, March 31, 2010
Goodwill	14,595	14,595
Other intangible assets	90,031	114,929
	104,626	129,524

(i) Goodwill

The following table presents the changes in goodwill during the years ended March 31, 2011 and 2010

	September 30, March 31, 2011	September 30, March 31, 2010
Balance at the beginning of the year	14,595	40,461
Effect of movement in exchange rates		(2,482)
Impairment loss recognised during the year		(23,384)
Net carrying amount of goodwill	14,595	14,595

The amount of goodwill as at March 31, 2011 and March 31, 2010 has been allocated to the online portals segment.

Impairment testing for cash-generating units containing goodwill

In May 2006, the Group acquired travel business for a consideration of US \$2.5 million (Rs. 112,220) in cash along with an option to purchase 125,000 shares of Sify Technologies Limited and certain earn out payments aggregating to USD 0.5 million (Rs. 22,444). The assets acquired consist of system software, customer contracts and goodwill which collectively were considered as a cash generating unit (CGU) by management. The said business operates from India and United States.

During the year ended March 31, 2010, triggered by certain adverse market conditions such as decrease in revenue and increase in the cost of services, and other technological matters, the Group tested the carrying value of the above business for impairment. The recoverable amount of these intangibles including goodwill were determined based on the higher of the value in use (using discounted cash flow approach) and fair value less cost to sell. Fair value less cost to sell, being the higher of the two was determined as the recoverable amount of the CGU. Based on this assessment, the carrying value of the CGU was higher than its recoverable amount and as a result of the above, the group has recorded an impairment of the above intangibles including goodwill amounting to Rs 47,269 during the year ended March 31, 2010 and adjusted the carrying value of these intangibles accordingly.

During the year ended March 31, 2011, due to further decrease in revenue and continued losses in its travel business, the Group has tested the carrying value of the remaining intangibles and the recoverable amount of these intangibles were determined as Nil. Hence an impairment charge was recorded for Rs 1,857 (US \$42), equal to the carrying value of the remaining intangibles as on the date of impairment testing.

The above impairment charges relate to online portal services segment.

Table of Contents**(ii) Other intangibles**

The following table presents the changes in intangible assets during the years ended March 31, 2011, 2010 and 2009.

	September 30, Technical know- how	September 30, Portals and web content	September 30, Customer related intangibles	September 30, Software	September 30, License fees	September 30, Total
(A) Cost						
Balance as at March 31, 2008	82,753	52,730	199,554	271,116	50,000	656,153
Acquisitions during the year			1,016	48,099		49,115
Balance as at March 31, 2009	82,753	52,730	200,570	319,215	50,000	705,268
Acquisitions during the year				51,468		51,468
Disposals during the year		52,730				52,730
Balance as at March 31, 2010	82,753		200,570	370,683	50,000	704,006
Acquisitions during the year				23,397		23,397
Disposals during the year						
Balance as at March 31, 2011	82,753		200,570	394,080	50,000	727,403
(B) Amortization						
Balance as at April 1, 2008	82,753	52,730	149,926	235,827	3406	524,642
Amortization for the year			19,921	20,794	2,500	43,215
Balance as at March 31, 2009	82,753	52,730	169,847	256,621	5,906	567,857
Amortization for the year			6,144	41,421	2,500	50,065
Impairment loss on intangibles			22,148	1,737		23,885
Disposals during the year		52,730				52,730
Balance as at March 31, 2010	82,753		198,139	299,779	8,406	589,077
Amortization for the year			837	43,101	2,500	46,438
Impairment loss on intangibles			1,594	263		1,857
Balance as at March 31, 2011	82,753		200,570	343,143	10,906	637,372
(C) Carrying amounts						
As at March 31, 2009			30,723	62,594	44,094	137,411
As at March 31, 2010			2,431	70,904	41,594	114,929
As at March 31, 2011				50,937	39,094	90,031

Capital commitments

As of March 31, 2011, the Company was committed to spend approximately Rs.65,813 (net of advances Rs.393,849) (March 31, 2010: Rs. 184,908 (net of advances Rs.274,441) respectively, under agreements to purchase intangible assets.

Capitalized borrowing costs

During the years ended March 31, 2011, 2010 and 2009, the Company capitalized interest cost of Rs.35,852, Rs.24,553 and Rs.5,620 respectively. The rate of capitalization of interest cost for the year ended March 31, 2011, 2010 and 2009 was approximately 10.44%, 12.81% and 11.67% respectively.

Table of Contents**7. Investment in equity accounted investees**

In March 2006, MF Global Overseas Limited (MFG), a group incorporated in United Kingdom acquired 70.15% of equity share capital of MF Global Sify Securities Private Limited (MF Global), formerly Man Financial-Sify Securities India Private Limited (MF Global) from Refco Group Inc., USA (Refco). As at March 31, 2011, 29.85% of MF Global equity shares is held by the Company. The remaining 70.15% is owned by MFG, an unrelated third party. MFG is a subsidiary of MF Global Limited, Bermuda. A summary of key financial information of MF Global and its subsidiaries which is not adjusted for the percentage ownership held by the Group is presented below:

Balance sheet	September 30, March 31, 2011	September 30, March 31, 2010
Total assets	4,546,919	3,974,094
Total liabilities	2,193,943	1,851,919
Shareholders' equity	2,352,976	2,122,175
Total Liabilities and shareholders' equity	4,546,919	3,974,094

Statement of operations	September 30, March 31, 2011	September 30, For the year ended March 31, 2010	September 30, March 31, 2009
Revenues	1,818,283	1,612,545	1,413,643
Net profit	241,840	307,543	216,917

During October 2010, Sify Technologies Ltd, the minority shareholder of MF Global holding 29.85 percent of the outstanding shares of the MF Global, requested MF Global's Board of Directors to reconsider certain costs charged to the MF Global by MF Global Holdings Ltd and its affiliated and associated group companies, who hold 70.15 percent of the outstanding shares of the MF Global. These charges are currently recorded in the financial statements of the MF Global for year ended 31st Mar 2008 aggregating to Rs.43,478,911 and 31st March 2009 aggregating to Rs.15,374,528. The resolution of this matter between the shareholders of MF Global remains uncertain and any financial adjustment that may arise is not presently known and accordingly no adjustment related to this matter has been provided for in MF Global's consolidated financial statements. Any financial adjustment that may arise on resolution of the said matter would be expected to be handled prospectively and therefore would be reported in the period in which it is resolved. Consequently, no adjustment related to the said matter was considered by Sify for equity method of accounting for MF Global. The auditors of MF Global have included an emphasis of matter with an explanatory paragraph in their audit report issued on the consolidated financial statements of MF Global for the three years ended March 31, 2011 in connection with such recorded cross charges. The effect of such recorded cross charge is not material to the financial statements of Sify.

8. Cash and cash equivalents

Cash and cash equivalents as per consolidated statement of financial position, as at March 31, 2011 amounted to Rs.458,559 (Rs. 517,789 as at March 31, 2010). This excludes cash-restricted of Rs.84,538 (Rs. 360,909 as at March 31, 2010), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
(a) Restricted cash			
<i>Non current</i>			
Against future performance obligation			1,000
<i>Current</i>			
Bank deposits held under lien against borrowings / guarantees from banks	84,538	360,909	1,329,756

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Total restricted cash	84,538	360,909	1,329,756
(b) Non restricted cash			
<i>Current</i>			
Cash and bank balances	458,559	517,789	380,042
Total cash (a+b)	543,097	878,698	1,710,798
Bank overdraft used for cash management purposes	(678,901)	(1,060,284)	(1,397,083)
Less: Non current restricted cash			(1,000)
Cash and cash equivalents for the statement of cash flows	(135,804)	(181,586)	312,715

Table of Contents**9. Lease prepayments**

	September 30, March 31, 2011	September 30, March 31, 2010
Towards buildings*	63,068	273,911
	63,068	273,911

* Includes Rs. Nil (March 31, 2010: Rs 189,903) paid to VALS Developers Private Limited. Also refer note 37.

In respect of buildings, prepayments made towards buildings accounted for as operating leases are amortised over the lease term on a straight line basis.

10. Other assets

	September 30, March 31, 2011	September 30, March 31, 2010
<i>Non current</i>		
Other deposits (see notes below)	672,843	554,358
	672,843	554,358

Current

Net investment in leases		
Financial assets included in other assets	212,969	249,744

(a) Includes Rs. Nil (March 31 2010: Rs.32,098) paid to VALS Developers Private Limited. Also refer note 37.

(b) Includes Rs. 459,872 (March 31 2010: Rs. 304,614) paid to Emirates Integrated Telecommunications Company PJSC in relation to supply of capacity from the Europe India Gateway and borrowing cost capitalized thereon.

11. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and a description of the items that created these differences is given below

	September 30, Assets / (liabilities) March 31, 2011	September 30, March 31, 2010
Recognised deferred tax assets / (liabilities)		
Deferred tax assets		
Carry forward capital losses	90,892	82,869
	90,892	82,869

Deferred tax liabilities

Property, plant and equipment		(76)
Intangible assets	(83)	(189)
Investment in equity accounted investees	(90,809)	(82,604)
	(90,892)	(82,869)

Net deferred tax asset recognized in balance sheet

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

Movement in temporary differences during the year

	September 30, Balance as at April 1, 2009	September 30, Recognised in income statement	September 30, Recognised in Equity	September 30, Balance as at March 31, 2010	September 30, Recognised in income statement	September 30, Recognised in Equity	September 30, Balance as at March 31, 2011
Property, plant and equipment	1,796	(1872)		(76)	76		
Intangible assets	2,212	(2401)		(189)	106		(83)
Allowance for doubtful trade and other receivables	4,516	(4,516)					
Tax loss carry forwards	67,735	14,371	763	82,869	8,875	(852)	90,892
Investment in equity accounted investees	(67,735)	(14,106)	(763)	(82,604)	(9,057)	852	(90,809)
	8,524	(8,524)					

Unrecognized deferred tax assets / (liabilities)

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
Deductible temporary differences	157,928	172,136
Unrecognized tax losses	3,084,218	3,360,093
	3,242,146	3,532,229

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognised in respect of tax losses carried forward by the Group. The above tax losses expire at various dates until 2025.

Deferred tax liabilities as at March 31, 2011 and March 31, 2010 have not been recognised on undistributed profits of its subsidiaries since the group expects to realize the same in a tax free manner.

Income tax expense recognized in profit or loss

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
Current tax expense / (benefit)			
Current period		(90,003)	90,003
		(90,003)	90,003
Deferred tax expense			

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Origination and reversal of temporary differences	8,875	22,895	17,862
Recognition of previously unrecognized tax losses	(8,875)	(14,371)	(10,854)
Reversal of previously recognized tax losses		8,524	38
		8,524	38
Total income tax expense / (benefit)		(81,479)	97,049

Table of Contents**Income tax directly recognised in other comprehensive income**

	September 30, March 31,2011	September 30, March 31,2010	September 30, March 31,2009
Actuarial (gains) or losses			
Tax effect of changes in the fair value of other investments			
Tax effect on share of profit of associate recognised in OCI			
Tax effect on foreign currency translation differences			

Income tax benefit / (expense) recognized directly in equity**Reconciliation of effective tax rate**

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

	September 30, Year ended March 31, 2011	September 30, Year ended March 31, 2010	September 30, Year ended March 31, 2009
Profit / (loss) before income taxes	(519,492)	(54,666)	(754,584)
Enacted tax rates in India	33.22%	33.99%	33.99%
Computed expected tax expense / (benefit)	(172,575)	(18,581)	(256,483)
Effect of:			
Share based payment expense not deductible for tax purposes	2,697	8,188	16,149
Unrecognized deferred tax assets on losses incurred during the year (net of temporary differences, if any)	194,140	41,370	359,669
Unrecognized deferred tax asset on temporary differences			
Share of profit of equity accounted investee taxed at a lower rate	(9,217)	(12,203)	(8,582)
Recognition of previously unrecognized tax losses	(15,045)	(18,774)	(13,203)
Reversal of tax expense consequent to merger (Refer note 40)		(81,479)	
Others			(501)
		(81,479)	97,049

12. Inventories

Inventories comprise:

	September 30, March 31, 2011	September 30, March 31, 2010
Communication hardware	2,824	19,826
Application software	12,813	1,662
	15,637	21,488

The entire carrying amount of inventories as at March 31, 2011 and 2010 are secured in connection with bank borrowings.

Table of Contents**13. Trade and other receivables**

Trade and other receivables comprise:

	September 30, March 31, 2011	September 30, March 31, 2010
(i) Trade receivables, net	1,839,966	1,912,348
(ii) Other receivables including deposits	1,251,690	1,196,450
(iii) Construction contract in progress	94,257	86,214
	3,185,913	3,195,012

- (i) Trade receivables as of March 31, 2011 and March 31, 2010 are stated net of allowance for doubtful receivables. The Group maintains an allowance for doubtful receivables based on its age and collectability. Trade receivables are not collateralized except to the extent of refundable deposits received from cybercafé franchisees and from cable television operators. The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables, excluding construction work in progress is disclosed in note 39. Trade receivables consist of:

	September 30, March 31, 2011	September 30, March 31, 2010
Trade receivables from related parties		
Other trade receivables	2,055,974	2,083,054
	2,055,974	2,083,054
Less: Allowance for doubtful receivables	(216,008)	(170,706)
Balance at the end of the year	1,839,966	1,912,348

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

	September 30, For the year ended March 31, 2011	September 30, March 31, 2010
Balance at the beginning of the year	170,706	116,295
Add: Additional provision, net	161,922	121,987
Less: Bad debts written off	(116,620)	(67,576)
Balance at the end of the year	216,008	170,706

- (ii) Other receivables comprises of the following items:

	September 30, March 31, 2011	September 30, March 31, 2010
Advances and other deposits (Refer Note (a) and (c) below)	684,016	657,609

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Withholding taxes (Refer Note (b) below)	560,456	530,146
Employee advances	7,218	8,695
	1,251,690	1,196,450
Financial assets included in other receivables	354,115	322,833

Notes:

- a) Advances and other deposits primarily comprises of receivables in the form of custom duty credit entitlement, service tax and other advances given in the ordinary course of business.
- b) Includes withholding taxes recoverable from the Department of Income-tax for which the Company has filed tax returns for refund. The Company expects to realize such refund of withholding taxes within the next 12 months.

Table of Contents**14. Prepayments for current assets**

Prepayments for current assets comprise of the following:

	September 30, March 31, 2011	September 30, March 31, 2010
Prepayments for purchase of bandwidth	71,256	79,402
Prepayments related to insurance	7,026	17,680
Prepayments-others	106,845	57,245
Lease prepayments	5,064	36,991
	190,191	191,318

15. Other investments

Other Investments comprise of investment in unquoted equity instruments classified as available for sale financial assets which are carried at cost. The details of such investments are given below:

	September 30, March 31, 2011	September 30, March 31, 2010
Investment in equity shares of Vashi Railway Station Commercial Complex Limited	150	
Investment in equity shares of Sify Empower India Foundation	10	
	160	

Table of Contents**16. Share capital and share premium***No of shares*

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Issued as at April 01	53,351,498	42,820,082	55,637,082
Issued for cash*	125,000,000		
Issued for consideration other than cash		10,530,000	
Exercise of share options		1,416	
Shares forfeited**			(12,817,000)
Issued as at March 31	178,351,498	53,351,498	42,820,082

* Paid up Rs.2.50 per share

** Paid up Re.1/- per share

As at March 31, 2011 the authorized share capital comprises 180,000,000 ordinary shares (as of March 31, 2010, the number of authorized shares was 61,000,000) of Rs.10 each. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to vote at meetings of the Group. All shares rank equally with regard to Group's residual assets.

The Company had entered into a Subscription Agreement with Infinity Satcom Universal Private Limited (Infinity Satcom Universal) during the year ended March 31, 2008 for issuance of 12,817,000 equity shares of the Company with face value of Rs.10/- per share at a premium of Rs.165/-. It was approved by the Company's shareholders at the Extra ordinary General Meeting held on March 17, 2008. Infinity Satcom Universal is controlled by Ananda Raju Vegesna, Executive Director, and brother of Raju Vegesna, Chairman and Managing Director of Sify Technologies Limited.

The Company had received a sum of Rs.112,149 (comprising of Rs.12,817 towards face value and Rs.99,332 towards securities premium / share premium). Subsequently on August 28, 2008, Infinity Satcom Universal communicated to the Company that they would focus their attention on the business of Sify Communications Limited (erstwhile subsidiary) and hence shall not contribute the balance money towards the subscription of 12,817,000 equity shares, as and when it is called. Accordingly, at the meeting of the board of directors, the shares allotted and monies already collected (Rs.112,149 including sums towards capital and premium) have been forfeited.

During the year ended March 31, 2010 the company has issued 10,530,000 ordinary shares of Rs 10 each to the erstwhile shareholders of Sify Communication Limited as per the scheme of amalgamation. Refer note 40.

Further during the year ended March 31, 2010, 1,416 ordinary shares have been issued consequent to exercise of options under the Associate stock option plan.

During the year ended March 31, 2011, 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), for an aggregate purchase price of approximately US \$86 million, 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 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. The company issued 125,000,000 equity shares to the Representative on October 30, 2010. Also refer note 42.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Table of Contents**Share based payment reserve**

Share based payment reserve represents the stock compensation expense recognised in the statement of changes in equity.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities until the investments are derecognized or impaired.

Recognised actuarial gain / loss

Recognised actuarial gain / loss represents the cumulative actuarial gain / loss recognised in other comprehensive income and presented within equity.

17. Finance lease obligations

The Group leases routers and other equipments under finance lease arrangements. The following is a schedule of future minimum finance lease commitments as at March 31, 2011:

	September 30, September 30, March 31, 2011	September 30, September 30, March 31, 2011	September 30, Present value minimum lease payments	September 30, Future minimum lease payments	September 30, September 30, March 31, 2010	September 30, Present value minimum lease payments
	Future minimum lease payments	Interest	Future minimum lease payments	Interest	Future minimum lease payments	Interest
Less than one year	77,975	(17,468)	60,507	65,148	(19,178)	45,970
Between one and five years	144,357	(16,611)	127,746	182,206	(26,859)	155,347
Total	222,332	(34,079)	188,253	247,354	(46,037)	201,317

18. Employee benefits

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
Gratuity payable	19,116	16,753	
Compensated absences	28,672	38,054	
	47,788	54,807	

Gratuity cost

The components of gratuity costs recognised in the consolidated income statement for the years ending March 31, 2011, March 31, 2010 and March 31, 2009 consist of the following:

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
Service cost	22,275	14,498	12,067
Interest cost	3,786	4,501	3,038

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Expected return on plan asset	(2,875)	(2,963)	(1,672)
	23,186	16,036	13,433

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

	September 30, March 31, 2011	September 30, March 31, 2010
Present value of projected benefit obligation at the end of the year	59,571	51,046
Funded status of the plans	40,455	34,293
Recognised (asset) / liability	19,116	16,753

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

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
Change in defined benefit obligation			
Projected benefit obligation at the beginning of the year	51,046	43,389	27,332
Service cost	22,275	14,498	12,067
Interest cost	3,786	4,501	3,038
Actuarial (gain) / loss	(8,358)	(5,957)	3,662
Benefits paid	(9,178)	(5,385)	(2,710)
Projected benefit obligation at the end of the year	59,571	51,046	43,389

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
Change in plan assets			
Fair value of plan assets at the beginning of the year	34,293	28,307	18,740
Expected return on plan assets	2,875	2,965	1,672
Actuarial gain / (loss)		(449)	(684)
Employer contributions	12,465	8,855	11,290
Benefits paid	(9,178)	(5,385)	(2,711)
Fair value of plan assets at the end of the year	40,455	34,293	28,307

Actual return on plan assets	2,875	2,513	988
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Actuarial assumptions at end of the year:

The principal actuarial assumptions as on March 31, 2011, 2010 and 2009 were as follows:

	March 31, 2011	March 31, 2010	March 31, 2009
Discount rate	8.00% P.a	8.15% P.a	7.95% P.a
Long-term rate of compensation increase	8.00% P.a	8.00% P.a	8.00% P.a
Expected long term rate of return on plan assets	8.00% P.a	8.00% P.a	8.00% P.a
Average future working life time	8.60 years	11.06 years	10.99 years

Discount rate: The discount rate is based on prevailing market yields of Indian Government securities as at the end of the year for the estimated term of the obligations.

Long term rate of compensation increase: The estimates of future salary increases considered take into account inflation, seniority, promotion and other factors.

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

Assumptions regarding future mortality are based on published statistics and mortality tables.

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

Historical information

	September 30, March 31, 2011	September 30, March 31, 2010
Experience adjustment on plan liabilities	8,064	(4,818)
Experience adjustment on plan assets		(450)

Contributions: The Group expects to contribute Rs.15,000 (March 31 2010: Rs12,000) to its gratuity fund during the year ending March 31, 2012.

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Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2011 and March 31, 2010, by asset category is as follows:

	September 30, March 31, 2011	September 30, March 31, 2010
Funds managed by insurers	100%	100%

Actuarial gains and losses recognised in other comprehensive income

The amount of actuarial gains and losses recognised in other comprehensive income for the years ending March 31, 2011, 2010 and 2009 are as follows:

	September 30, March 31, 2011	September 30, March 31, 2010	September 30, March 31, 2009
Actuarial gain / (loss)	8,358	5,508	(4,346)
	8,358	5,508	(4,346)

Contributions to defined contribution plans

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Group contributed Rs.53,923 Rs. 55,229 and Rs. 70,354 for the years ended March 31, 2011, 2010 and 2009.

19. Other liabilities

	September 30, March 31, 2011	September 30, March 31, 2010
Franchisee deposits and other liabilities	163,245	165,800
	163,245	165,800

Internet access services at home and through a network of cybercafés is provided through a franchised network of cable operators in India and cybercafé operators. The Group enters into an agreement with the franchisee that establishes the rights and obligations of each party and grants each franchisee a non-exclusive license to operate the cybercafé using the Group's logo, brand and trade names. The agreement provides for payment to the Company, of an initial security deposit in consideration for establishing the franchisee relationship and providing certain initial services.

20. Borrowings

	September 30, March 31, 2011	September 30, March 31, 2010
<i>Current</i>		
Term bank loans (Refer note 1 below)	216,000	216,000
Other working capital facilities (Refer note 2 below)	679,542	697,165
Borrowings from others (Refer note 3 below)	140,260	39,681

	1,035,802	952,846
<i>Non current</i>		
Term bank loans (Refer note 1 below)	113,880	325,940
Borrowings from others (Refer note 3 below)	148,728	123,484
	262,608	449,424

The Group has borrowings which include:

1. Term bank loans bear interest ranging from 9.50% to 13.50% p.a. The term loans are secured by way of pari-passu first charge over the unencumbered movable fixed assets acquired out of such term loans availed by the Company. Further these loans are collaterally secured by way of equitable mortgage over the office premises and also by way of pari passu second charge on the entire current assets of the Company.

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2. Working capital facilities include Letter of credit discounted, buyer's credit and foreign currency demand loan. These are secured by pari-passu charge on current assets of the Company and moveable assets of the company, both present and future. Foreign currency demand loan bear an interest of Libor +550 bps. Other working capital borrowings bear interest ranging from 11% to 14% p.a. Such facilities are renewable every year.

3. Borrowings from others are secured against relevant assets and software. However, the Company is in the process of obtaining no objection certificate from the bank with whom such relevant assets and software are hypothecated.

21. Trade and other payables

	September 30, March 31, 2011	September 30, March 31, 2010
Trade payables	814,777	989,020
Advance from customers	86,073	37,047
Accrued expenses	808,399	686,452
Other payables	74,139	143,145
	1,783,388	1,855,664
Financial liabilities included in trade and other payables	1,725,907	1,798,764

22. Deferred income

Deferred income includes the following amounts of unearned income:

	September 30, March 31, 2011	September 30, March 31, 2010
Corporate network/data services	339,549	328,309
Internet access services	28,966	24,941
Other services	44,079	65,316
	412,594	418,566

23. Revenue

	September 30, March 31, 2011	September 30, Year ended March 31, 2010	September 30, March 31, 2009
Rendering of services			
Service revenue*	5,460,236	5,356,852	5,253,535
Initial franchise fee	10,992	11,369	30,489
Installation service revenue	812,341	288,919	235,116
	6,283,569	5,657,140	5,519,140
Sale of products	603,060	1,053,048	643,021
	6,886,629	6,710,188	6,162,161

* Including revenue arising from construction contracts (refer note 24)

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Table of Contents**24. Construction contracts in progress**

	September 30, March 31, 2011	September 30, Year ended March 31, 2010	September 30, March 31, 2009
Contract revenue recognised for the year ended March 31, 2011	268,064	86,214	
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date for contracts in progress	109,570	86,124	
Advances received for contracts in progress	27,860	16,441	
Gross amount due from customers for contract work presented as an asset	231,090	86,214	

25. Cost of goods sold and services rendered

Cost of goods sold and services rendered information is presented before any depreciation or amortization that is direct and attributable to revenue sources. The Group's asset base deployed in the business is not easily split into a component that is directly attributable to a business and a component that is common / indirect to all the businesses. Since a gross profit number without depreciation and amortization does not necessarily meet the objective of such a disclosure, the Group has not disclosed gross profit numbers but disclosed all expenses, direct and indirect, in a homogenous group leading directly from revenue to operating income.

26. Other income

	September 30, March 31, 2011	September 30, Year ended March 31, 2010	September 30, March 31, 2009
Duty credit entitlement	38,006	82,486	79,278
Others	34,687	49,303	9,827
	72,693	131,789	89,105

27. Income from legal settlement

During the previous year, the Company received Rs 561,120 in connection with settlement of legal matters. This is pursuant to a legal suit filed by the company in the prior years. The said receipt has been recorded as income from legal settlement in the consolidated statement of income during the year ended March 31, 2010.

28. Selling, general and administrative expenses

	September 30, March 31, 2011	September 30, Year ended March 31, 2010	September 30, March 31, 2009
Personnel expenses	561,385	745,067	987,585
Marketing and promotion expenses	394,057	482,554	608,318
Administrative and other expenses*	1,486,357	1,238,770	1,217,522
	2,441,799	2,466,391	2,813,425

* Includes foreign exchange gain / (loss) of Rs.12,941, Rs.9,397 and Rs.21,320 for the years ended March 31, 2011, 2010 and 2009 respectively.

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Under the provisions of the Indian Income-tax Act, 1961, employers are required to pay fringe benefits tax (FBT) on the taxable value of the fringe benefits or privileges or that are provided or deemed to be provided to employees. FBT under the provisions of the Indian Income-tax Act, 1961 is Rs. Nil, Rs Nil, Rs.19,880 for the years ended March 31, 2011, 2010 and 2009 respectively. FBT is withdrawn with effect from April 1, 2009.

Table of Contents**29. Personnel expenses**

	September 30, March 31, 2011	September 30, Year ended March 31, 2010	September 30, March 31, 2009
Salaries and wages	1,211,183	1,269,638	1,532,378
Contribution to provident fund and other funds	77,164	77,197	70,354
Staff welfare expenses	22,296	27,499	38,225
Employee stock compensation expense	10,201	30,589	61,380
	1,320,844	1,404,923	1,702,337
Attributable to cost of goods sold and services rendered	759,459	659,856	714,752
Attributable to selling, general and administration expenses	561,385	745,067	987,585

30. Share-based payments

Share based payments are designed as equity-settled plans. Under the equity settled plans, the Group had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000 and ASOP 2002 plan as at April 1, 2009. Our stock option plans are detailed as under:

(i) Associate Stock Option Plan 2005

In October 2005, the Group established the Associate Stock Option Plan 2005 (the ASOP 2005 Plan) which provided for issuing 1,900,000 stock options to eligible employees. The Group cancelled on September 22, 2005, all the unissued stock options pertaining to previous plans and / or the stock options surrendered or lapsed.

The options vest over a period of 3 years as follows:

	September 30,
One sixth of the options:	At the end of one year from the date of the grant
Five sixth of the options:	At the end of each quarter during the second and third year from the date of the grant in eight equal installments.
The stock options can be exercised only after they vest but before the expiry date of forty months from the date of the grant.	

As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2005 Plan is as follows:

	September 30, 2011	September 30, Number of options 2010	September 30, 2009	September 30, 2011	September 30, Weighted average exercise price in Rs. 2010	September 30, 2009
No. of options granted, exercised and forfeited						
Outstanding at the beginning of the year			326,093			328.84
Granted during the year						
Forfeited during the year			(29,167)			449.16
Expired during the year			(296,926)			317.02
Exercised during the year						

Replaced during the year (Refer to notes below)

Outstanding at the end of the year

Vested and exercisable at the end of the year

Weighted average grant date fair value of grants during the year

Table of Contents**(ii) Associate Stock Option Plan 2007**

In September 2007, the Shareholders of the Group approved a new scheme for allotment of stock options to employees, the Associate Stock Option Plan 2007. Consequent upon the introduction of ASOP 2007 plan, 797,600 unissued stock options pertaining to Associate Stock Option Plan 2005 are no longer available for issuance.

The options vest over a period of 4 years as follows:

	September 30,
One sixth of the option quantity:	At the end of one year from the date of the grant.
Five sixth of the option quantity:	At the end of each quarter during the second, third and fourth year from the date of the grant in twelve equal installments.
The stock options can be exercised within a period of twelve months from the date of last vesting.	

As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2007 Plan is as follows:

	September 30, Number of options 2011	September 30, Weighted average exercise price in Rs. 2011	September 30, Number of options 2010	September 30, Weighted average exercise price in Rs. 2010	September 30, Number of options 2009	September 30, Weighted average exercise price in Rs. 2009
No. of options granted, exercised and forfeited						
Outstanding at the beginning of the year	1,078,800	149.21	1,211,900	152.51	1,200,400	157.35
Granted during the year	6,000	74.41	50,000	89.34	142,500	117.46
Replaced (Refer to notes below)						
Replacement options granted (Refer to notes below)						
Forfeited during the year	(81,801)	152.37	(93,616)	153.58	(131,000)	158.77
Expired during the year	(161,799)	158.52	(88,068)	158.01		
Exercised during the year			(1,416)	59.02		
Outstanding at the end of the year	841,200	146.58	1,078,800	149.21	1,211,900	152.51
Vested and Exercisable at the end of the year	566,908	151.36	437,210	155.55	185,167	157.35
Weighted average grant date fair value of grants during the year						71.82

The fair value of stock options granted has been measured using the Black Scholes model at the date of the grant. The Black Scholes model includes assumptions regarding dividend yields, expected volatility, expected term (or option life) and risk free interest rates. In respect of the options granted, the expected term is estimated based on the vesting term, contractual term as well as expected exercise behavior of the employees receiving the option. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on the recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in the future periods, stock compensation expense could be materially impacted in future

years.

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

The fair value of services received in return for share options granted under ASOP 2007 is based on the fair value of share options granted measured using Black Scholes model, with the following inputs:

	September 30, Year ended March 31, 2011		September 30, Year ended March 31, 2010		September 30, Year ended March 31, 2009	
No. of options granted, exercised and forfeited						
Weighted average share price	82.68		99.26		130.41	
Weighted average exercise price	74.41		89.34		117.46	
Expected volatility	110.5%	124.7%	115.8%	136.7%	53.5%	120.0%
Option life	3 4.5 years		3 4.5 years		3 4.5 years	
Expected dividends						
Risk-free interest rate	2.61%		2.43%	2.69%	1.64%	3.45%

A summary of information about fixed price stock options outstanding as at March 31, 2011 is furnished below:

	September 30, Range of exercise price in Rs.	September 30, Number outstanding at March 31, 2011	September 30, Weighted average exercise price in Rs.	September 30, Weighted average remaining contractual life	September 30, Number exercisable at March 31, 2011	September 30, Weighted average exercise price in Rs.
ASOP 2007	51.51-188.32	841,200	146.58	1.00	566,908	151.36

Modification

During the year ended March 31, 2008, the stock options issued under ASOP 2005 and ASOP 2007 had been out of money for most time of the vesting period. As a result, the Group's compensation committee allowed certain employees in their approval dated January 22, 2008 to surrender their (a) unvested (b) vested and (c) unexercised stock options and obtain fresh options at a discount of 10% of the market price under ASOP 2007 prevalent at the date of modification in lieu of the surrendered stock options. This modification resulted in the revision in the exercise price as well as the service period over which the stock options vest. Consequent upon modification, 497,200 stock options of ASOP 2005 plan and 123,900 stock options of ASOP 2007 plan were replaced with an allotment of equal number of fresh options to those who surrendered.

The incremental fair value of the stock options replaced was determined by reference to the difference between the fair value of the replaced stock options and the fair value of the cancelled stock options at the date of grant of new stock options. The incremental fair value as a result of such modification in respect of modified options amounted to Rs.20,959 during the year ended March 31, 2008. In respect of modification that has occurred during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised, for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental fair value granted is recognised immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments. The incremental cost recognised in respect of such modified options amounted to Rs.2,954, Rs.5,039 and Rs 8,838 for the years ended March 31, 2011, 2010 and 2009 respectively.

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The assumptions that were used in arriving at the incremental fair value are as summarized below:

Assumptions	September 30,		September 30,	
	Pre modification		Post modification	
Current market price	174.83		174.83	
Exercise price	308.34	578.38	157.35	
Expected term	3	4.5 years	3	4.5 years
Volatility	53.83%	77.82%	53.01%	77.82%
Dividend yield	0%		0%	
Discount rate	2.5%		2.5%	

31. Financial income and expense

	September 30,	September 30,	September 30,
	March 31, 2011	Year ended March 31, 2010	March 31, 2009
Interest income on bank deposits	21,360	19,489	116,495
Interest income from leases			435
Others	24,338	8,505	5,635
Finance income	45,698	27,994	122,565
Interest expense on lease obligations	20,117	16,476	2,243
Bank charges (including letter of credit, bill discounting and buyer's credit charges)	96,721	100,241	86,216
Interest expense on borrowings	141,784	177,156	163,201
Finance expense	(258,622)	(293,873)	(251,660)
Net finance income / (expense) recognised in profit or loss	(212,924)	(265,879)	(129,095)

32. Earnings / (loss) per share

The calculation of basic earnings / (loss) per share for the years ended March 31, 2011, 2010 and 2009 is based on the earnings / (loss) attributable to ordinary shareholders of Rs. (474,117), Rs 33,051 and Rs.(900,574) respectively and a weighted average number of shares outstanding of 65,149,443, 50,840,358, and 43,350,320 respectively, calculated as follows:

	September 30,	September 30,	September 30,
	March 31, 2011	Year ended March 31, 2010	March 31, 2009
Net profit / (loss) as reported	(519,492)	17,027	(900,574)
Weighted average number of shares basic	63,317,251	50,840,358	43,350,320
Basic earnings / (loss) per share	(8.20)	0.33	(20.77)
Weighted average number of shares diluted	63,317,251	50,853,293	43,350,320
Diluted earnings / (loss) per share	(8.20)	0.33	(20.77)

Weighted average number of ordinary shares basic

	September 30,	September 30,	September 30,
	2011	Year ended March 31, 2010	2009
Issued fully paid ordinary shares at April 01	53,351,498	42,820,082	42,820,082

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Effect of shares issued on exercise of stock options		166	
Effect of partly paid shares (Note 1)	9,965,753		530,238
Effect of shares issued consequent to amalgamation of Sify Communications Limited		8,020,110	
Weighted average number of equity shares and equivalent shares outstanding	63,317,251	50,840,358	43,350,320

Table of Contents**Weighted average number of ordinary shares diluted**

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Weighted average number of ordinary shares (basic)	63,317,251	50,840,358	43,350,320
Effect of stock options		12,935	
Weighted average number of equity shares outstanding (diluted)	63,317,251	50,853,293	43,350,320

As the Company incurred a net loss attributable to ordinary shareholders for the years ended March 31, 2011 and 2009, 841,200 and 1,211,900 ordinary shares arising out of potential exercise of outstanding stock options as at March 31, 2011 and 2009 were not included in the computation of diluted earnings per share, as their effect was anti-dilutive.

Note 1: During the year, 125,000,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2011, these shares were partly paid up to the extent of Rs 2.50 per share. Refer note 16 to the consolidated financial statements.

33. Operating leases

The Group leases office buildings and other equipment under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of the leases include rent escalation clauses. Rental expenses under these leases were Rs.326,507, Rs.329,332 and Rs.336,899 for the years ended March 31, 2011, 2010 and 2009 respectively. The schedule of future minimum rental payments in respect of operating leases is set out below:

As at March 31, 2011

	September 30, Total	September 30, Less than 1 year	September 30, 1-5 years	September 30, More than 5 years
Lease obligations				
Non-cancellable operating lease obligations	1,884,543	105,693	588,973	1,189,877

As at March 31, 2010

	September 30, Total	September 30, Less than 1 year	September 30, 1-5 years	September 30, More than 5 years
Lease obligations				
Non-cancellable operating lease obligations	1,608,509	119,871	407,890	1,080,748
Non-cancellable obligations towards proposed lease *	2,423,554	22,850	520,808	1,879,896

* For details on proposed lease, refer Note 37 on related parties.

34. Segment reporting

The primary operating segments of the Group are:

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Corporate network/data services, which provides Internet, connectivity, security and consulting, hosting and managed service solutions;

Internet access services, from homes and through cybercafés,

Online portal services and content offerings; and

Other services, such as development of e-learning software.

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The Chief Operating Decision Maker (CODM) evaluates the Group s performance and allocates 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 amortisation 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 primarily between the corporate network/data services and Internet access services businesses as described below:

International bandwidth refers to bandwidth that is required for access to sites and offices outside the country. For all these businesses, bandwidth is allocated based on actual utilization captured by monitoring traffic per IP pool assigned at the egress points. The Group has packet shapers in the main locations to monitor bandwidth use by each of the above categories of users. This information is used to determine parameters such as bandwidth per port and bandwidth per PC. The actual utilization is cross validated against assumptions / norms for each business.

National bandwidth refers to the inter-city link bandwidth implemented within the country. Inter-city link bandwidth was allocated based on the number of subscribers or iway cybercafés at non gateway points and the bandwidth sold to and used by business enterprises (determined using packet shapers). However, in order to strengthen its corporate business, the Group enhanced its national backbone to carry Internet traffic to the international fibre gateways, shifting from hybrid satellite and fibre gateways to fibre only gateways for international bandwidth. National bandwidth costs are now allocated based on international bandwidth allocation ratios because most of the traffic carried on the national backbone is directed towards the international gateways.

International and national bandwidth is allocated based on actual usage at an agreed methodology between corporate and retail businesses. The infrastructure costs are accumulated and allocated to retail through agreed transfer price. The Group believes that the resulting allocations are reasonable.

Last mile costs related to dial-up access that can be directly identified to businesses are allocated directly. Spectrum charges paid for the license to operate on the 5.7 GHz wireless spectrum are allocated based on the bandwidth used by the various businesses that use this spectrum. Certain expenses, such as depreciation, technology 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 years ended March 31, 2011, 2010 and 2009, are presented below:

Year ended March 31, 2011

	September 30, Corporate network /data services	September 30, Internet access services A	September 30, Online portal services B	September 30, Consumer one (Sub-total) A+B	September 30, Other services	September 30, Total
Segment revenue	5,671,909	403,925	122,441	526,366	688,354	6,886,629
Allocated segment expenses	(4,026,865)	(539,404)	(100,059)	(639,463)	(536,176)	(5,202,504)
Impairment loss on intangibles			(1,857)	(1,857)		(1,857)
Segment operating income / (loss)	1,645,044	(135,479)	20,525	(114,954)	152,178	1,682,268
<i>Unallocated expenses:</i>						
Cost of goods sold						(525,024)

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Selling, general and administrative expenses	(980,354)
Depreciation and amortization	(685,836)
Other income / (expense), net	72,693
Finance income	45,698
Finance expenses	(201,969)
Share of profit of equity accounted investee	73,032
Profit / (loss) before tax	(519,492)
Income tax (expense) / benefit	
Profit / (loss) for the year	(519,492)

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Year ended March 31, 2010

	September 30, Corporate network / data services	September 30, Internet access services A	September 30, Online portal services B	September 30, Consumer one (Sub-total) A+B	September 30, Other services	September 30, Total
Segment revenue	5,335,268	713,929	130,842	844,771	530,149	6,710,188
Allocated segment expenses	(3,929,727)	(757,431)	(140,966)	(898,397)	(406,063)	(5,234,187)
Impairment loss on intangibles including goodwill			(47,269)	(47,269)		(47,269)
Segment operating income / (loss)	1,405,541	(43,502)	(57,393)	(100,895)	124,086	1,428,732
Unallocated expenses:						
Cost of goods sold						(477,807)
Selling, general and administrative expenses						(936,842)
Depreciation and amortization						(656,797)
Other income / (expense), net						131,789
Income from legal settlement						561,120
Finance income						27,994
Finance expenses						(223,990)
Share of profit of equity accounted investee						91,135
Profit / (loss) before tax						(54,666)
Income tax (expense) / benefit						81,479
Profit / (loss) for the year						26,813

Table of Contents**Year ended March 31, 2009**

	September 30, Corporate network / data services	September 30, Internet access services A	September 30, Online portal services B	September 30, Consumer one (Sub-total) A+B	September 30, Other services	September 30, Total
Segment revenue	4,305,235	1,128,182	177,324	1,305,506	551,420	6,162,161
Allocated segment expenses	(2,842,889)	(1,295,332)	(220,967)	(1,516,299)	(473,008)	(4,832,196)
Impairment loss on goodwill			(15,200)	(15,200)		(15,200)
Segment operating income / (loss)	1,462,346	(167,150)	(58,843)	(225,993)	78,412	1,314,765
<i>Unallocated expenses:</i>						
Cost of goods sold						(484,478)
Selling, general and administrative expenses						(1,130,221)
Depreciation and amortization						(498,872)
Other income / (expense), net						89,105
Finance income						122,565
Finance expenses						(231,539)
Share of profit of equity accounted investee						64,091
Profit / (loss) before tax						(754,584)
Income tax (expense) / benefit						(97,049)
Profit / (loss) for the year						(851,633)

Year Reconciliations

	September 30, Cost of goods sold	September 30, Selling, general and administrative expenses	September 30, Finance expenses	September 30, Total
Year ended March 31, 2011				
Allocated segment expenses	3,684,406	1,461,445	56,653	5,202,504
Unallocated segment expenses	525,024	980,354	201,969	
Total as per income statement	4,209,430	2,441,799	258,622	
Year ended March 31, 2010				
Allocated segment expenses	3,618,731	1,545,573	69,883	5,234,187
Unallocated segment expenses	477,807	936,842	223,990	
Total as per income statement	4,096,538	2,482,415	293,873	
Year ended March 31, 2009				
Allocated segment expenses	3,128,871	1,683,204	20,121	4,832,196
Unallocated segment expenses	484,478	1,130,221	231,539	
Total as per income statement	3,613,349	2,813,425	251,660	

Table of Contents**Geographic segments**

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

Description	September 30, India	September 30, Rest of the world	September 30, Total
Revenues			
Year ended March 31, 2011	4,495,801	2,390,828	6,886,629
Year ended March 31, 2010	4,950,352	1,759,836	6,710,188
Year ended March 31, 2009	5,071,137	1,091,024	6,162,161

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

35. Contingencies

- a) During the previous years, the Group had received assessment orders from the Income-tax Department of India for various financial years disallowing certain expenditure like bandwidth charges and foreign currency payments for non-deduction of withholding taxes. The Company appealed against those order before Commissioner of Income Tax (Appeals) (CIT(A)) and received favourable orders. The department has filed appeals before Income Tax Appellate Tribunal (ITAT) disputing CIT(A) orders. The group believes that the appeal by the department is not sustainable and consequently no loss contingency is necessary as at March 31, 2011. Income tax claims against the company as at March 31, 2011 amounted to Rs. 84,981 (March 31, 2010: Nil)
- b) Contingencies due to certain service tax claims as at March 31, 2011 amounted to Rs 243,610 (March 31, 2010: Rs. 33,280).
- c) Additionally, the Group is also involved as a party to lawsuits, claims and proceedings, which arise in the ordinary course of business. The Group does not foresee any material contingency out of the pending issues.
- d) The Group during the year ended March 31, 2009 entered into a contract with Emirates Integrated Telecom for the construction and supply of capacity from the Europe India Gateway. As per the contract with Emirates, the Group is required to pay its share of decommissioning costs if any that may arise in the future. No provision has been made by the Group for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2011.
- d) In respect of contingencies arising on legal proceedings, refer Note 36.

36. Legal proceedings

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

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300 issuers have been named in similar lawsuits.

In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers was filed by the entire group of issuer defendants in these similar actions. In October 2002, the cases against the Sify's executive officers who were named as defendants in this action were dismissed without prejudice. In February 2003, the court in this action issued its decision on defendants' omnibus motion to dismiss. This decision denied the motion to dismiss the Section 11 claim as to Sify and virtually all of the other issuer defendants. The decision also denied the motion to dismiss the Section 10(b) claim as to numerous issuer defendants, including Sify. On June 26, 2003, the plaintiffs in the consolidated IPO class action lawsuits currently pending against the Sify and over 300 other issuers who went public between 1998 and 2000, announced a proposed settlement with Sify and the other issuer defendants. The proposed settlement provided that the insurers of all settling issuers would guarantee that the plaintiffs recover \$1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs did not recover \$1 billion, the insurers for the settling issuers would make up the difference. This proposed settlement was terminated on June 25, 2007, following the ruling by the United States Court of Appeals for the Second Circuit on December 5, 2006, reversing the District Court's granting of class certification.

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On August 14, 2007, the plaintiffs filed Amended Master Allegations. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification. Defendants filed a Motion to Dismiss the focus cases on November 9, 2007. On March 26, 2008, the Court ruled on the Motion to Dismiss, holding that the plaintiffs had adequately pleaded their Section 10(b) claims against the Issuer Defendants and the Underwriter Defendants in the focus cases. As to the Section 11 claim, the Court dismissed the claims brought by those plaintiffs who sold their securities for a price in excess of the initial offering price, on the grounds that they could not show cognizable damages, and by those who purchased outside the previously certified class period, on the grounds that those claims were time barred. This ruling, while not binding on the Sify's case, provides guidance to all of the parties involved in this litigation. On October 2, 2008, plaintiffs requested that the class certification motion in the focus cases be withdrawn without prejudice. On October 10, 2008, the Court signed an order granting that request. On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including Sify and its former officers and directors. The proposed settlement provides the plaintiffs with \$586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for \$100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Sify's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On October 6, 2009, the District Court issued an order granting final approval of the settlement. Subsequent to the final approval of Settlement agreement by the District court, there are several notices of appeal filed. Most were filed by the same parties that objected to the settlement in front of the District Court. These will likely be consolidated into a single appeal and briefing schedule will be provided shortly. Any direct financial impact of the preliminary approved settlement is expected to be borne by the Sify's insurers. Sify believes, the maximum exposure under this settlement is approximately USD 338,983, an amount which it believes is fully recoverable from the its insurers.

b) Proceedings before Department of Telecommunications

(ii) License fees

On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications (DOT) raised a demand on the Company for INR 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 this Company) for INR 26 million.

The above demands were made by the DoT on the premise that all amounts of income (whether direct or indirect) including certain items like other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets & provision written back, that have not 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 responded to the above demand notices stating that the above demands are not tenable as the demands were not in accordance with the Telecom Disputes Settlement & Appellate Tribunal (TDSAT) Order, in which Order the TDSAT has clarified in its order that the items of income which are liable for license fee and items of income on which license fees are not liable to be paid. The TDSAT Order however has been challenged and is presently pending before the Supreme Court. Till such time the Supreme Court pronounces its final verdict on this case, the TDSAT Order continues to be in force and the Company currently continues to pay the license fee in accordance with the TDSAT Order. The Company believes that it has adequate legal defenses for these demands and the ultimate outcome of these actions will not have a material adverse effect on the Company.

- (ii) In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding INR 345 million (US \$7.68 million) towards spectrum charges payable from the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

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

- c) The Group is party to additional legal actions arising in the ordinary course of business. Based on the available information, as at March 31, 2011, Sify believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs 9,051 (March 31, 2010: Rs 9,051).

37. Related parties

The related parties where control / significant influence exists are subsidiaries and associates. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director whether executive or otherwise. Key management personnel includes the board of directors and other senior management executives. The other related parties are those with whom the Group has had transaction during the years ended March 31, 2011, 2010 and 2009 are as follows:

Particulars	September 30, Country of incorporation	September 30, % of Ownership interest March 31, 2011	September 30, March 31, 2010
Holding Company			
Raju Vegesna Infotech & Industries Private Limited (Refer note 16 and note 42)			
Subsidiaries			
Sify International Inc.	USA	100	100
Sify Software Limited (Formerly Sify Networks Private Limited)	India	100	100
Sify Technologies (Singapore) Pte. Limited (Incorporated on December 7, 2009)	Singapore	100	100
Associates			
MF Global-Sify Securities India Private Limited	India	29.85	29.85
Others (Entities in which the Key Management Personnel have controlling interest / significant influence and relatives of Key Management Personnel)			
Radhika Vegesna	India		
Server Engines LLC	USA		
Server Engines India Private Limited	India		
VALS Developers Private Limited	India		
Infinity Satcom Universal Private Limited	India		

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The following is a summary of the related party transactions for the year ended March 31, 2011:

Transactions	September 30, Holding Company	September 30, Associates	September 30, Others	September 30, Key Management Personnel***
Consultancy services received				240
Sitting fees paid				1,200
Salaries and other short term benefits				40,328
Contributions to defined contribution plans				1,913
Share based payment transactions				4,226
Issue of shares on private placement basis**	1,000,000			
Advance lease rentals and refundable deposits refunded			282,825	
Refundable lease deposit paid****			2,558	
Lease rentals paid****			2,558	
Amount of outstanding balances				
Debtors				
Advance lease rentals and refundable deposits made****			2,558	

The following is a summary of the related party transactions for the year ended March 31, 2010:

Transactions	September 30, Associates	September 30, Others	September 30, Key Management Personnel***
Consultancy services received			240
Sitting fees paid			1,240
Salaries and other short term benefits			52,441
Contributions to defined contribution plans			2,427
Share based payment transactions			9,486
Issuance of shares on amalgamation of erstwhile Sify Communications limited with Sify Technologies limited		842,837	
Amount of outstanding balances			
Debtors			
Advance lease rentals and refundable deposits made*		282,825	

The following is a summary of the related party transactions for the year ended March 31, 2009:

Transactions	September 30, Associates	September 30, Others	September 30, Key management personnel***
Sale of goods / services	6,600	734	
Advance lease rentals and refundable deposits made*		282,825	
Consultancy services received			240
Sitting fees paid			1,220
Salaries and other short term benefits			50,672
Contributions to defined contribution plans			2,389
Share based payments			33,579
Amount of outstanding balances			
Debtors	524	174	
Advance lease rentals and refundable deposits made*		282,825	

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- * Represents deposits made to VALS Developers Private Limited (VALS).VALS was owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal share holder and Chief Executive Officer, was holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into an agreement for Sub Lease with VALS Developers Private Limited to take on lease on long term basis the proposed building which is in the process of being constructed. The lease agreement, when final and executed, was expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for the incremental five year terms. In terms of this Agreement for Sub Lease, Sify has paid a security deposit of Rs.125,700 and advance rental of Rs.157,125 to VALS. As per the terms of the

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Sub Lease, the security deposit will be refunded at the end of lease term and the advance rental would be adjusted over a period of 15 months from the commencement of the lease. On October 30, 2010, with the consent of VALS, the Board of Directors have cancelled the Agreement for Sub lease and has decided to acquire the building along with land directly through acquisition of Pace Info Com Park Private Limited (PACE), an unrelated third party, which is the owner of the land and building for total consideration of Rs.1,140,000. The above deposits would be adjusted against the consideration payable for acquiring the shares of PACE. To give effect to the above, the company has entered into an amendment Agreement with all concerned parties and VALS has assigned its rights and obligations to the company and the company paid Rs.400,000 as part consideration for the above purchase. Subsequently on May 24, 2011 and on June 9, 2011, the company has paid a further sum of Rs.50,000 each as part consideration for the above purchase. On September 28, 2011, the company has paid a further sum of Rs.127,000 as per terms of MoU and are in the process of acquiring the shares of PACE through Hermit Projects Private Limited.

** Also refer note 16 in relation to transactions relating to issue of equity shares on private placement basis to Raju Vegesna Infotech & Industries Private Limited.

*** Some of the key management personnel of the Group are also covered under the Group's gratuity plan along with other employees of the Group. Proportionate amounts of gratuity accrued under the gratuity plan have not been separately computed or included in the above disclosure.

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

38. Financial instruments*Financial instruments by category*

The carrying value and fair value of financial instruments by each category as at March 31, 2011 were as follows:

Particulars	September 30, Note	September 30, Loans and receivables	September 30, Financial assets / liabilities at fair value through profit and loss	September 30, Available for sale	September 30, Other financial liabilities	September 30, Total carrying value	September 30, Total fair value
Assets							
Cash and cash equivalents	8	543,097				543,097	543,097
Other assets	10	212,969				212,969	212,969
Trade receivables	13	1,839,966				1,839,966	1,839,966
Other receivables	13	354,115				354,115	354,115
Other investments	15			160		160	160
Liabilities							
Bank overdraft	8				678,091	678,091	678,091
	17				188,253	188,253	188,253

Finance lease liabilities				
Other liabilities	19	163,245	163,245	163,245
Borrowings from banks	20	1,009,422	1,009,422	1,009,422
Borrowings from others	20	288,988	288,988	288,988
Trade and other payables	21	1,725,907	1,725,907	1,725,907

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The carrying value and fair value of financial instruments by each category as at March 31, 2010 were as follows:

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
	Note	Loans and receivables	Financial assets / liabilities at fair value through profit and loss	Available for sale	Other financial liabilities	Total carrying value	Total fair value
Assets							
Cash and cash equivalents	8	878,698				878,698	878,698
Other assets	10	249,744				249,744	249,744
Trade receivables	13	1,912,348				1,912,348	1,912,348
Other receivables	13	315,835				315,835	315,835
Derivative financial instruments	13		6,998			6,998	6,998
Liabilities							
Bank overdraft	8				1,060,284	1,060,284	1,060,284
Finance lease liabilities	17				201,317	201,317	201,317
Other liabilities	19				165,800	165,800	165,800
Borrowings from banks	20				1,239,105	1,239,105	1,239,105
Borrowings from others	20				163,165	163,165	163,165
Trade and other payables	21				1,798,764	1,798,764	1,798,764

Details of financial assets pledged as collateral

The carrying amount of financial assets as March 31, 2011 and 2010 that the Group has provided as collateral for obtaining borrowings and other facilities from its bankers are as follows:

	September 30, March 31, 2011	September 30, March 31, 2010
Cash and cash equivalents	543,097	878,698
Other assets	212,969	249,744
Trade receivables	1,839,966	1,912,348
Other receivables	354,115	315,835
	2,950,147	3,356,625

Derivative financial instruments

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Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. These derivative contracts do not qualify for hedge accounting under IAS 39, and are initially recognised at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognised immediately in profit or loss. The counterparties for these contracts are generally banks or financial institutions. The following table gives details in respect of the notional amount of outstanding foreign exchange and option contracts as on March 31, 2011 and 2010:

	September 30, As of March 31, 2011	September 30, As of March 31, 2010
Forward contracts		
In U.S. Dollars (Sell)		
In U.S Dollars (Buy)		
Option contracts		
In U.S Dollars (Sell)		67,710
In U.S Dollars (Buy)		

The Company recognized a net gain on derivative financial instruments of Rs. Nil for the year ended March 31, 2011 and a net gain of Rs.6,998 during the year ended March 31, 2010 and a net gain of Rs.2,997 during the year ended March 31, 2009.

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

	September 30, As of March 31, 2011	September 30, March 31, 2010
Sell:		
Not later than one month		33,855
Later than one month and not later than three months		33,855
Later than three months and not later than six months		
Later than six months and not later than one year		
		67,710

	September 30, As of March 31, 2011	September 30, March 31, 2010
Buy:		
Not later than one month		
Later than one month and not later than three months		
Later than three months and not later than six months		
Later than six months and not later than one year		

Interest, (expenses), gains and (losses) recognized on financial assets and liabilities**Recognised in profit or loss**

	September 30, March 31, 2011	September 30, Year ended March 31, 2010	September 30, March 31, 2009
Loans and receivables			
Interest income on bank deposits	21,360	19,489	116,495
Interest income from leases			435
Interest income from other loans and receivables	3,871	8,505	5,635
Impairment loss of trade receivables	(161,922)	(121,987)	(84,346)
Impairment loss on finance lease receivables			(6,929)
Financial assets at fair value through profit or loss			
Net change in fair value of derivative financial instruments		6,998	2,997
Other financial liabilities			
Interest expenses on lease obligations	(20,117)	(16,476)	(2,243)
Interest expenses on borrowings from banks, others and overdrafts	(161,897)	(177,156)	(163,201)
Recognised directly in other comprehensive income			

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	September 30, March 31, 2011	September 30, March 31, 2010	September 30, Year ended March 31, 2009	September 30, March 31, 2009
Net change in fair value of available-for-sale financial assets				(5,361)

39. Financial Risk Management

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

Credit risk

Liquidity risk

Market risk

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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.

Exposure to credit risk

The gross carrying amount of financial assets, net of any impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2011 and 2010 was as follows:

	September 30, March 31, 2011	September 30, March 31, 2010
Cash and cash equivalents	543,097	878,698
Other assets	212,969	249,744
Trade receivables	1,839,966	1,912,348
Other receivables	354,115	315,835
Derivative financial instruments		6,998
Other investments	160	
	2,950,307	3,363,623

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired other than trade receivables. The age analysis of trade receivables have been considered from the date of invoice. The ageing of trade receivables, net of allowances that are past due, is given below:

Period (in days)	September 30, March 31, 2011	September 30, March 31, 2010
Past due 181 - 270 days	143,919	160,979
Past due 271 - 365 days	50,796	29,346
More than 365 days	97,596	114,932
	292,311	305,257

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See note 13 for the activity in the allowance for impairment of trade account receivables.

Financial assets that are not past due

Cash and cash equivalents, other assets, other receivables and finance lease receivables are neither past due nor impaired. Of the total trade receivables that are not past due as at March 31, 2011 amounting to Rs.1,329,698 (March 31, 2010: Rs.1,627,059) impairment to the extent of Rs Nil (March 31, 2010: 19,968) has been recorded.

Details of collateral and other credit enhancements held

	September 30, March 31, 2011	September 30, March 31, 2010
Security deposits received for internet access services	7,432	16,236

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

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

As at March 31, 2011

	September 30, Carrying amount	September 30, Contractual cash flows	September 30, 0-12 months	September 30, 1-3 years	September 30, 3-5 years
Non-derivative financial liabilities					
Bank overdrafts	678,901	678,901	678,901		
Finance lease liabilities	188,253	247,354	65,148	123,922	58,284
Other liabilities	163,245	163,245	163,245		
Borrowing from banks	1,009,422	1,044,455	930,067	114,388	
Borrowings from others	288,988	368,794	175,730	158,431	34,633
Trade and other payables	1,725,907	1,725,907	1,725,907		
	4,054,716	4,228,656	3,738,998	396,741	92,917

As at March 31, 2010

	September 30, Carrying amount	September 30, Contractual cash flows	September 30, 0-12 months	September 30, 1-3 years	September 30, 3-5 years
Non-derivative financial liabilities					
Bank overdrafts	1,060,284	1,060,284	1,060,284		
Finance lease liabilities	201,317	247,354	65,148	123,922	58,284
Other liabilities	165,800	165,800	165,800		

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Borrowing from banks	1,239,105	1,333,922	972,962	360,960	
Borrowings from others	163,165	207,828	57,041	91,247	59,540
Trade and other payables	1,798,764	1,798,764	1,798,764		
	4,628,435	4,813,952	4,119,999	576,129	117,824

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

Currency risk: The Group's exposure in USD, Euro and other foreign currency denominated transactions gives rise to Exchange Rate fluctuation risk. Group's policy in this regard incorporates:

Forecasting inflows and outflows denominated in US\$ for a twelve-month period

Estimating the net-exposure in foreign currency, in terms of timing and amount

Determining the extent to which exposure should be protected through one or more risk-mitigating instruments to maintain the permissible limits of uncovered exposures.

Carrying out a variance analysis between estimate and actual on an ongoing basis, and taking stop-loss action when the adverse movements breaches the 5% barrier of deviation, subject to review by Audit Committee.

The Group's exposure to foreign currency risk as at March 31, 2011 was as follows:

	September 30, USD	September 30, CAD	September 30, CHF	September 30, Euro	September 30, GBP	September 30, DHS	September 30, HKD	September 30, AED	September 30, SGD
	<i>All amounts in respective currencies as mentioned (in thousands)</i>								
Cash and cash equivalents	495								
Trade receivables	9,700	4	522	20	116	1		1	2
Trade payables	(5,688)		(18)	(301)	(1)	(32)	(10)	(25)	(83)
Net exposure	4,507	4	504	(281)	115	(31)	(10)	(24)	(81)

The Group's exposure to foreign currency risk as at March 31, 2010 was as follows:

	September 30, USD	September 30, CAD	September 30, CHF	September 30, Euro	September 30, GBP	September 30, DHS	September 30, HKD
Cash and cash equivalents	1,198						

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	8,869	168	209	32	96	1	
Trade payables	(4,764)			(31)	(12)		(11)
Gross balance sheet exposure	5,303	168	209	1	84	1	(11)
Forward exchange / option contracts	(1,500)						
Net exposure	3,803	168	209	1	84	1	(11)
Sensitivity analysis							

A 10% strengthening of the rupee against the respective currencies as at 31 March 2011 and 2010 would have increased / (decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	September 30, Other comprehensive income	September 30, Profit or loss
March 31, 2011		(21,063)
March 31, 2010		(19,367)

A 10% weakening of the rupee against the above currencies as at March 31, 2011 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk: Interest rate risk is the risk that an upward movement in interest rates would adversely affect the borrowing costs of the group.

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

	September 30, March 31, 2011	September 30, Carrying amount March 31, 2010
Fixed rate instruments		
<i>Financial assets</i>		
- Fixed deposits with banks	84,765	531,192
<i>Financial liabilities</i>		
- Borrowings from banks	529,437	697,165
- Borrowings from others	288,988	163,165
Variable rate instruments		
<i>Financial liabilities</i>		
- Borrowings from banks	326,000	541,940
- Bank overdrafts	678,901	1,060,284
Fair value sensitivity for fixed rate instruments		

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

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis has been performed on the same basis as 2010.

	September 30, Equity	September 30, Profit or loss	September 30, Profit or loss
March 31, 2011			(10,049)
March 31, 2010			(16,022)

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

40. Acquisition of non-controlling interest in subsidiary

The Board of Directors and shareholders of the Company at their meeting held on November 24, 2008 approved the merger of Sify's subsidiary Sify Communications Limited, subject to approval by the Honorable High Court of Madras and other statutory authorities. Subsequently, the Company obtained the approval of Honorable High Court on June 26, 2009 which is binding on the Company and its subsidiary Sify Communications Limited and as part of the merger, the Company issued 10,530,000 equity shares to Infinity Satcom Universal Pvt. Limited (a company promoted by the principal shareholders of Sify) and acquired the remaining 26% equity interest of Sify Communications Limited. Although the merger was approved by the High Court on June 26, 2009, which is considered as the acquisition date for accounting purposes, for Income-tax purpose the effect of merger is retrospectively applied from April 1, 2008. The acquisition of this non-controlling interest has been accounted as a transaction with equity holders in their capacity as equity holders and accordingly no goodwill has been recognized. As a result of the acquisition of non-controlling interest, the following adjustments were incorporated in the consolidated financial statements for the year ended March 31, 2010:

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As a consequence of the merger, the Company was eligible under the Indian Income-tax laws to consolidate the Income-tax returns of Sify and Sify Communications Limited retrospectively from April 1, 2008. Accordingly, the taxable income reported by Sify Communications Limited for the period subsequent to April 1, 2008 has been off-set against the previously fully reserved business losses of the Company. This resulted in the reversal of income tax liabilities aggregating to Rs.90,003 and a write off of deferred tax assets of Rs.8,524 during the year ended March 31, 2010.

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Consequent to the approval of the merger by the Honorable High Court on June 26, 2009, the Company was obliged to issue 10,530,000 shares which the Company has duly issued on July 16, 2009, and accordingly, the fair value of shares to be issued as at June 26, 2009 has been considered as the consideration for the acquisition of the non-controlling interest. The difference between the fair value of the consideration paid and the face value of equity shares issued is recorded as share premium and the difference between the fair value of the consideration paid and the carrying amount of non-controlling interests is recorded as an adjustment in equity and is included as part of share premium.

41. IPO listing

The Ministry of Finance of the Government of India (MoF) issued a press release dated March 31, 2006, making amendments to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993 (the Scheme). The amendments included a statement that unlisted Companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of May 22, 1998 and are not making profit, be permitted to comply with listing condition on the domestic stock exchanges within three years of having started making profit. Further, the press release states that no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges. Since the Company has made one time book profits in the financial year 2006-07, the Company has applied to MoF through its letter dated September 10, 2009, requesting the MOF:

i. to provide extension of time for listing the shares in the Indian stock exchanges

ii. to grant a special permission to issue shares on rights basis to the existing shareholders

On November 9, 2009, the MoF has informed that the Company s request was not in accordance with the existing policy. The Company again on March 4, 2010 has applied to MoF reiterating its previous request which was not favourably considered. The Company, based on a legal opinion obtained from its legal counsel, believes that there are no financial implications that would arise in connection with said press release by MoF.

42. Subsequent events

(i) Transfer of shares among 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), for an aggregate purchase price of Rs.4,000,000 (approximately US \$86 million), 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 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. During the year, RVIPL has paid a sum of Rs.1,000,000 (US\$22.40 million) towards share capital and share premium making the shares partly paid up to the extent of Rs.2.50 per share.

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.

Until the full purchase price is paid by the purchasers, the Company retains a lien on the equity shares purchased in connection with the Offering. The unpaid portion of the equity shares issued in the Offering do not have any voting rights and are not entitled to dividends, if declared. As of the date of this Annual Report, Mr. Vegesna has paid for half of the shares of the subscription. The Board of Directors has the sole discretion as to the timing to require Mr. Vegesna to pay the balance of the subscription price. The above transfer of shares does not change the beneficial holding of Mr. Raju Vegesna in the outstanding equity shares of the Company.

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(ii) Capital infusion by the Existing Promoter Group

Subsequently on July 29, 2011, the Company has made the first call amount of Rs 8 per share (Rs.2.50 towards share capital and Rs.5.50 towards share premium) aggregating to Rs1,000,000 (US\$22.40 million) which was payable on or before August 29, 2011.

Consequent to the transfer of 125,000,000 equity shares from to M/s Raju Vegesna Infotech and Industries Private Limited to M/s Ramanand Core Investment Company Private Limited (RCICPL), the above call money of Rs.1,000,000 was paid by RCICPL on August 29, 2011.

(iii) Amendment to the Subscription Agreement with Existing Promoter Group

The Company entered into a subscription agreement, dated as of October 22, 2010, with Ananda Raju Vegesna, acting as representative (the Representative) of the purchasers (the Subscription Agreement). The purchasers are entities and affiliates of Raju Vegesna, the Chief Executive Officer and Managing Director of the Company. The Representative is the Executive Director of the Company and the brother of Raju Vegesna.

The Subscription Agreement provided for the issuance of 125,000,000 of the Company s equity shares, par value Rs. 10 per share (the Equity Shares). Pursuant to the Subscription Agreement and in accordance with Indian law, the subscription price for the Equity Shares issuable pursuant to the Subscription Agreement was to be paid by the purchasers in installments, as determined by the Board of Directors of the Company, on or prior to September 26, 2011. The Board of Directors, in accordance with the Subscription Agreement, called upon the purchasers to pay to the extent of 50% of the subscription amount aggregating to Rs.2,000,000 or approximately \$44.79 million, which has been paid in full by the purchasers.

Subsequently, 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, at any time before September 26, 2013.

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MF Global Sify Securities India Private Limited

IFRS Consolidated Financial Statements

As at March 31, 2011 and 2010 and for the year ended March 31, 2011, 2010 and 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of MF Global Sify Securities India Private Limited

In our opinion, the accompanying Consolidated Statement of Balance Sheet, and the related Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow (collectively consolidated financial statements) present fairly, in all material respects, the financial position of MF Global Sify Securities India Private Limited and its subsidiaries (collectively the Company) at March 31, 2011 and the results of their operations and their cash flows for the year ended March 31, 2011 in conformity with International Financial Reporting Standards as issued by the International Accounting Standard Board. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

Without qualifying our opinion, we draw your attention to Note 26 to the consolidated financial statements, which describes the uncertainty related to the outcome of the ongoing discussions between the Company s shareholders concerning the reconsideration of certain costs charged to the Company by MF Global Holdings Limited and its affiliated and associated group companies for the two years ended March 31, 2008 and March 31, 2009.

We conducted our audit of these consolidated financial statements for the year ended March 31, 2011 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, and evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

ASA & ASSOCIATES

Independent Registered Public Accounting Firm

Mumbai , India

October 11, 2011

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of MF Global Sify Securities India Private Limited

In our opinion, the accompanying consolidated balance sheet as of March 31, 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flow for each of the two years in the period ended March 31, 2010 present fairly, in all material respects, the financial position of MF Global Sify Securities India Private Limited and its subsidiaries (collectively the Company) at March 31, 2010, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2010, in conformity with International Financial Reporting Standards as issued by the International Accounting Standard Board. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Without qualifying our opinion, we draw your attention to Note 26 to the consolidated financial statements, which describes the uncertainty related to the outcome of the ongoing discussions between the Company s shareholders concerning the reconsideration of certain costs charged to the Company by MF Global Holdings Limited and its affiliated and associated group companies for the year ended March 31, 2009 and March 31, 2008.

We conducted our audits of these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Price Waterhouse

Firm Registration No. 301112E

Place: Mumbai

Date: November 26, 2010

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***Consolidated Statement of Balance Sheet**

	September 30, Note	September 30, As at March 31, 2011	September 30, 2010
ASSETS			
Cash and bank balance	11	281,486	148,213
Cash-restricted	12	2,959,063	2,489,847
Interest bearing deposits with bank	13	93,362	295,659
Receivable from broker-dealers and clearing organizations	9	18,580	65,884
Receivable from customers (net of provision of Rs. 60,600 and Rs. 22,300 respectively)	8	447,770	437,207
Available-for-sale securities:			
Marketable, at market value	14	40,776	877
Not readily marketable (at estimated fair value)	14	92,868	11,447
Deposits with clearing organizations		173,783	110,969
Interest accrued but not due		67,124	71,443
Other assets	10	245,800	220,282
Intangible assets:			
Computer software	5.1	19,271	28,424
Memberships in exchanges	5.2	5,733	5,782
Property, plant and equipment	6	21,827	70,159
Deferred tax asset (Net)	7	79,476	17,901
Total assets		4,546,919	3,974,094
EQUITY			
Capital and reserves attributable to the Equity holders			
Ordinary shares	15	518,942	518,942
Additional paid in capital		28,968	28,968
Retained earnings		1,806,071	1,564,231
Currency translations		(232)	953
Fair value adjustments		(774)	9,081
Total Equity		2,352,975	2,122,175
LIABILITIES			
Payable to broker dealers and clearing organizations	9	264,504	139,965
Payable to customers		1,272,571	1,177,517
Borrowings	17	53,000	3,508
Accounts payable, accrued expenses, and other liabilities	19	505,605	394,327
Employee benefit obligation	18	98,264	136,602
Total Liabilities		2,193,944	1,851,919
Total liabilities and Equity		4,546,919	3,974,094

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

These financial statements have been approved by the Board of Directors on October 11, 2011.

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***Consolidated Income Statement**

	September 30, Note	September 30, 2011	September 30, 2010	September 30, 2009
Income				
Commissions		1,391,162	1,201,594	914,969
Depository and clearing fees		33,919	35,488	34,456
Interest on fixed deposits with banks		198,412	238,491	325,547
Other Income	23	194,790	136,972	138,671
Total Income		1,818,283	1,612,545	1,413,643
Expenses				
Employee compensation and benefits	21	794,535	607,775	515,234
Exchange expenses and clearance fees		220,153	165,769	130,904
Brokerage to other broker-dealers		136,470	152,002	95,859
Communications and data processing		30,100	28,168	27,585
Bank Interest and guarantee commission		1,751	7,616	28,883
Depreciation and amortization		67,692	37,398	38,348
Occupancy		75,728	75,210	69,933
Write back of provision			(57,500)	
Provision for receivable from customers	22	38,300		2,925
Advertisement and business promotion		60,339	45,593	34,987
Other expenses	20	85,628	82,111	125,693
Total Expenses		1,510,696	1,144,142	1,070,351
Profit before income tax		307,587	468,403	343,292
Income tax expense	24	65,747	160,860	126,375
Profit for the year attributable to the Equity holders		241,840	307,543	216,917

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

These financial statements have been approved by the Board of Directors on October 11, 2011.

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***Consolidated Statement of Comprehensive Income**

	September 30, 2011	September 30, 2010	September 30, 2009
	Years ended March 31,		
Net income for the year	241,840	307,543	216,917
Other comprehensive income			
Available for sale financial assets			
- Net change in fair value	(9,855)	1,527	(10,473)
Foreign currency translation differences			
Currency translation differences	(1,185)	(5,657)	9257
	(11,040)	(4,130)	(1,216)
Total comprehensive income for the year	230,800	303,413	215,701
The accompanying notes form an integral part of these consolidated financial statements			

These financial statements have been approved by the Board of Directors on October 11, 2011.

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***Consolidated Statement of Changes in Equity**

	September 30, Number of ordinary shares	September 30, Par value	September 30, Share Capital	September 30, Additional paid -in capital	September 30, Retained earnings	September 30, Currency translation	September 30, Fair Value adjustment	September 30, Total Equity
Balance at April 1, 2008	51,894,182	10	518,942	28,968	1,039,771	(2,647)	18,027	1,603,061
currency translation differences						9,257		9,257
fair value gains, net of tax on available-for-sale financial assets							(10,473)	(10,473)
net income directly recognised in equity profit for the year					216,917	9,257	(10,473)	(1,216)
total recognised income and expense for the year					216,917	9,257	(10,473)	215,701
Balance at March 31, 2009	51,894,182	10	518,942	28,968	1,256,688	6,610	7,554	1,818,762
currency translation differences						(5,657)		(5,657)
fair value gains, net of tax on available-for-sale financial assets							1,527	1,527
net income directly recognised in equity profit for the year					307,543	(5,657)	1,527	(4,130)
total recognised income and expense for the year					307,543	(5,657)	1,527	303,413
Balance at March 31, 2010	51,894,182	10	518,942	28,968	1,564,231	953	9,081	2,122,175
currency translation differences						(1,185)		(1,185)
fair value gains, net of tax on available-for-sale financial assets							(9,855)	(9,855)
net income directly recognised in equity profit for the year					241,840	(1,185)	(9,855)	(11,040)
total recognised income and expense for the year					241,840	(1,185)	(9,855)	230,800
Balance at March 31, 2011	51,894,182	10	518,942	28,968	1,806,071	(232)	(774)	2,352,975

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* Retain earning includes reserves amounting to Rs. 1,023 on amalgamation of subsidiary company- MF Global Capital India Private Limited ,with the company.

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

These financial statements have been approved by the Board of Directors on October 11, 2011.

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***Consolidated Statement of Cash Flow**

	September 30, Note	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Cash flows from operating activities				
Profit before income tax		307,587	468,403	343,292
<i>Adjustments for</i>				
Depreciation and amortization		67,692	37,398	38,348
Profit on sale of Available-for-sale securities		(23,603)		(6,724)
Provision on receivable from customers	8	38,300	(57,700)	2,925
Interest on fixed deposits with banks		(198,412)	(238,491)	(325,547)
Stock appreciation rights				
Loss on Sale of Property Plant & Equipment	6		13	
Interest Income		(16,278)	(5,566)	(5,174)
Dividend Income		(1,616)	(283)	(167)
Others		(9,582)	3,963	(2,617)
<i>Movements in working capital</i>				
Cash-restricted	12	(469,216)	(141,985)	3,066,861
Interest bearing deposits with banks		202,297	(188,164)	(90,995)
Deposits with clearing organizations		(62,814)	9,896	30,650
Receivable from broker-dealers and clearing organizations	9	47,304	(23,656)	312,213
Receivable from customers	8	(48,863)	(207,514)	755,753
Interest accrued but not due				
Other assets	10	19,051	(3,856)	5,237
Payable to broker dealers and clearing organizations	9	124,539	(87,821)	(2,756,446)
Payable to customers		95,053	192,442	(1,509,559)
Accounts payable, accrued expenses, and other liabilities	19	111,278	42,369	(330,331)
Stock appreciation rights	16	(38,338)	88,907	23,973
Cash provided by operations		144,379	(111,645)	(448,308)
Interest received		16,278	5,566	5,174
Interest received on fixed deposits placed		202,731	269,218	457,503
Income taxes paid		(171,891)	(149,524)	(151,697)
Net cash provided by/(used in) by operating activities		191,497	13,615	(137,328)
Cash flows from investing activities				
Purchase of Available for Sale Securities: Marketable, At Market Value		(39,899)	(877)	168,004
Available for Sale Securities: Not readily marketable (at estimated fair value)		(57,818)		
Dividend Income		1,616	283	167
Expenditure on furniture and equipment		(4,760)	(14,288)	(35,695)
Expenditure on Computer Software		(5,671)	(25,342)	(12,118)
Sale of furniture and equipment				2,278

Net cash (used in) / provided in investing activities	(106,532)	(40,224)	122,636
Cash flows from financing activities			
Proceeds from loan from associate company	841,500	383,700	270,000
Repayment of loan to associate company	(788,500)	(383,700)	(270,000)
(Repayment of) / Proceeds from borrowings	(3,508)	(1,137)	(100,414)
Net cash provided by / (used in) financing activities	49,492	(1,137)	(100,414)
Effect of foreign exchange fluctuation on Cash and Bank balances			
	(1,184)	(5,657)	9,257
Net increase / (decrease) in cash and bank balance	133,273	(33,403)	(105,849)
Cash and bank balance at beginning of the period	148,213	181,616	287,465
Cash and bank balance at end of the period	281,486	148,213	181,616

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

These financial statements have been approved by the Board of Directors on October 11, 2011.

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

Notes to the consolidated financial statements

1. General information

MF Global Sify Securities India Private Limited and its consolidated subsidiaries (hereinafter referred to as "MF" or "the group") are engaged as a stock and commodity broker for foreign institutional investors ("FIIs"), mutual funds, domestic financial institutions and retail investors. The group also acts as a depository participant and provides depository services to FIIs, mutual funds, domestic financial institutions and retail investors.

MF Global Sify Securities India Private Limited ("MF Global Sify") was incorporated on December 29, 1999 in India as a private limited company under the Companies Act, 1956. The address of its registered office is 2nd Floor, C block, Modern Centre, 101 K. K. Marg, Jacob Circle, Mahalaxmi, Mumbai 400 011. MF Global Sify has one wholly owned subsidiary, MF Global Commodities India Private Limited, incorporated in India. MF Global Commodities India Private Limited has one wholly owned subsidiary, MF Global Middle East DMCC incorporated in Dubai.

MF Global Overseas Limited ("MFG") (formerly Man Financial Holdings Limited), a company incorporated in the United Kingdom holds 70.15% of MF Global Sify and Sify Technologies Limited ("Sify") holds the balance, 29.85% of MF Global Sify's equity shares. The ultimate holding company of MF Global Sify is MF Global Holdings Limited (a company incorporated in the state of Delaware, USA and listed on the New York Stock Exchange).

These consolidated financial statements have been approved for issue by the Board of Directors on October 11, 2011.

2. Summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost convention, on accrual basis as modified for certain financial instruments which are measured at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1. Standards, amendments and interpretations effective as at 31 March 2011

IAS 1 (revised), Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

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Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

IFRS 2 (Amendment), Share-based payment. It clarifies that only service conditions and performance conditions are vesting conditions. All other features need to be included in the grant date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply the amendment from 1 April 2009. The Group has applied amendments from April 1, 2009, however this does not have any significant impact on consolidated statements.

IFRS 7 *Financial instruments Disclosures* (amendment) effective 1 January 2009, the amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRIC 14, IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction; IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. The Group has applied IFRIC14, IAS 19 effective April 1, 2008.

2.1.2. Amendments and interpretations effective as at 31 March 2011 but not relevant

The following standards, amendments and interpretations to published standards are effective as at 31 March 2011 but are not relevant to the group's operations:

IFRS 8 Operating Segments

IAS 23 (amendment), Borrowing costs .

IFRIC 13, Customer loyalty programmes .

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

IFRIC 15, Agreements for the construction of real estate .

IFRIC 16, Hedges of a net investment in a foreign operation .

2.1.3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's financial year beginning on 1 April 2009 or later periods, but the group has not early adopted them:

IAS 27 (Revised), *Consolidated and Separate Financial Statements*. It requires a mandatory adoption of the economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Purchase of some or all of the non-controlling interests (also known as minority interests) (NCI) is treated as a treasury transaction and accounted for in equity. A partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognised on the portion that has been disposed of; a further holding gain is recognised on the interest retained, being the difference between the fair value of the interest and book value of the interest.

The revised standard requires an entity to attribute their share of net income and reserves to the NCI even if this results in the NCI having a deficit balance.

The group will apply IAS 27 (Revised) from 1 April 2011. The group does not expect the adoption of this standard to have a material effect on the consolidated financial statements.

IFRS 3 (Revised), *Business Combinations*. It has expanded the scope to include combinations by contract alone and combination of mutual entities and slightly amended the definition of business as capable of being conducted rather than are conducted and managed . All the acquisition-related costs are to be recognised as period expenses in accordance with the appropriate IFRS. Costs incurred to issue debt or equity securities will be recognised in accordance with IAS 39.

Consideration would include fair value of all interests previously held by the acquirer. Remeasurement of such interests to fair value would be through the income statement. Contingent consideration is required to be recognised at fair value even if not deemed probable of payment at the date of acquisition. All subsequent changes in debt contingent consideration are recognised in income statement and not in goodwill as required in the existing standard.

IFRS 3 (Revised) provides an explicit option, available on a transaction-by-transaction basis, to measure any NCI in the entity acquired at fair value of their proportion of identifiable assets and liabilities or full fair value. The first will result in measurement of goodwill little different from existing IFRS 3; the second approach will record goodwill on the NCI as well as on the acquired controlling interest.

The group will apply IFRS 3 (Revised) from 1 April 2011. The effect of the standards from future periods will depend on the nature and significance of any acquisitions that are subject to this standard.

IFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial assets. IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of

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the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The standard is mandatory for the group effective from April 1, 2013 with early adoption permitted. The group is in process of assessing the applicability date of the standard and its impact on the consolidated financial statements.

Revised IAS 24 (revised), *Related party disclosures*, issued in November 2009. It supersedes IAS 24, *Related party disclosures*, issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates.

The standard is mandatory for the group effective from April 1, 2011 with early adoption permitted. The group is in process of assessing the applicability date of the standard and its impact on the consolidated financial statements.

IFRS 5 (Amendment), *Non-current assets held-for-sale and discontinued operations* (and consequential amendment to IFRS 1, *First-time adoption*). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 April 2011.

IFRIC 17, Distributions of non-cash assets to owners. IFRIC 17 clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. The group will apply IFRIC 17 from 1 April 2011.

IAS 1 (Amendment), *Presentation of financial statements*. The amendment clarifies that classification of a liability, that can at the option of the counterparty be settled by the issue of the entity's equity instruments, on the basis of the requirements to transfer cash or other assets rather than on settlement better reflects the liquidity and solvency position of an entity. The group will apply the IAS 1 (Amendment) from 1 April 2011. It is not expected to have an impact on the group's financial statements.

IAS 7 (Amendment), *Statement of cash flows* is part of the IASB's annual improvements project published in April 2009. The amendment clarifies that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The group will apply the IAS 7 (Amendment) from 1 April 2010. It is not expected to have an impact on the group's financial statements.

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

IAS 17 (Amendment), *Leases*. The amendment modified the criteria for classification of lease that includes both land and buildings elements requiring an entity to assess the classification of each element as a finance or an operating lease separately in the same way as leases of other assets. The group will apply the IAS 17 (Amendment) from April 1, 2011. The Company is in process of assessing the impact, if any.

2.1.4. Amendments and interpretations to existing standards that are not yet effective and not relevant for the group's operations

The following interpretations to existing standards have been published and are mandatory for the group's accounting period beginning on 1 April 2009 or later periods but are not relevant for the group's operations:

IFRIC 13, *Customer loyalty programmes*, clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIC 15, *Agreements for construction of real estates*, clarifies whether IAS 18, *Revenue*, or IAS 11, *Construction contracts*, should be applied to particular transactions.

IFRIC 16, *Hedges of a net investment in a foreign operation*, clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, *The effects of changes in foreign exchange rates*, do apply to the hedged item.

IFRIC 18, *Transfers of assets from customers*. IFRIC 18 clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. The interpretation applies prospectively to transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted.

IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

IAS 38 (Amendment), *Intangible assets*. The amendment deletes the wording that states that there is rarely, if ever support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment did not have an impact on the group's operations, as all intangible assets are amortised using the straight-line method.

2.2. Consolidation

The Company is a subsidiary of MF Global Holdings Limited, a company incorporated in the State of Delaware, USA. MF Global Holdings Limited is listed on the New York Stock Exchange.

Domestic and foreign subsidiaries considered for consolidation are as follows:

September 30,	September 30,	September 30,	September 30,
	Country of incorporation	Percentage of holding as at March 31, 2011	Percentage of holding as at March 31, 2010
Direct subsidiaries			
1) MF Global Commodities India Private Limited	India	100%	100%
2) MF Global Capital India Private Limited	India		100%
Indirect Subsidiary			
1) MF Global Middle East DMCC	Dubai	100%	100%

The reporting date for all the above companies is March 31.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies so as to obtain economic benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

All significant inter company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

2.3. Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements in each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Indian rupee is the functional currency of MF Global Sify and its domestic subsidiaries. US dollar is the functional currency of MF Global Middle East Limited DMCC located in Dubai. These consolidated financial statements are presented in Indian Rupee (INR), which is the group's presentation currency. The results and financial position are translated into presentation currency as follows:

assets and liabilities for each balance sheet presented are translated as at the closing rate at that balance sheet date;

income and expenses for each income statement are translated at an average exchange rate; and

all resulting exchange differences are recognised as a separate component of equity.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.4. Cash and bank balance

Cash and bank balance include cash in hand and at bank, and short-term deposits with an original maturity period of three months or less. The Group's exposure to credit risk is represented by the carrying value of the assets. Bank overdrafts that are an integral part of cash management and where there is a legal right of set-off against positive cash balances are included in cash and bank balance. Otherwise bank overdrafts are classified as borrowings.

2.5. Restricted Cash

Individual entities within the group are members of exchange, where cash or securities are deposited or bank guarantees are issued to conduct day-to-day trading and clearance activities. As required by the respective exchange, margin obligations towards clearing organizations are determined based on open positions by clearing organizations of the exchanges.

The group classifies bank fixed deposits as restricted cash on the balance sheet, when they are either placed with banks as margin for bank guarantees issued to clearing organisation or specifically earmarked as liens to clearing organizations towards margin.

2.6. Interest bearing deposits with banks

Interest bearing deposits with bank represent fixed term deposits placed with banks earning fixed rate of interest. At the balance sheet date, these deposits are measured at amortised cost using effective interest method.

2.7. Receivables

Receivables are recognized initially at fair value. They are subsequently measured at amortised cost using the effective interest method, net of provision for impairment, if the effect of discounting is considered material. The carrying amounts, net of provision for impairment, reported in the balance sheet approximate the fair value due to their short realisation period. A provision for impairment of trade receivables is established when there is objective evidence that Group will not be able to collect all amounts due according to the original terms of receivables. The provision is established at amounts considered to be appropriate, based primarily upon Group's past credit loss experience and an evaluation of potential losses on the receivables. The amount of the provision is recognized in the income statement. Receivables include receivables from broker-dealers and clearing organizations and receivables from customers, whereas the securities owned by customers are held as collateral for receivables.

2.8. Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet, when the Group becomes a party to the contractual provisions of an instrument, at fair value adjusted for transaction costs, except for financial assets classified at fair value through profit or loss where transaction costs are immediately recognised in the consolidated income statement. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognised when the obligation under the liability has been discharged or cancelled.

Financial assets principally comprise investments, receivable from broker dealers, clearing organisations, customers and other receivables, bank deposits and cash and bank balance. Financial liabilities principally comprise bank overdraft, and payables to broker dealers, clearing organisations, customers, other payables and accrued expenses.

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though there is a legal right to set off in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

2.9. Financial assets

The financial assets of the group are classified into following categories: loans and receivables and available for sale. The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The entity's loans and receivables comprise receivable from broker dealers, clearing organisations, customers and other receivables, investments in bank deposits and cash and bank balance and loans to staff classified under other assets in balance sheet (Notes 2.10, 2.11 and 2.12).

b) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Available for sale consists of marketable securities, which are investments in units of mutual funds and are reported at fair values. Securities not readily marketable represent investments in equity shares of BSEL, obtained by MF Global Sify pursuant to the exchange transaction under the Bombay Stock Exchange (Corporatisation and Demutualization) scheme 2005 .

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses, on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the consolidated income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market price at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by using valuation techniques.

MF assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the equity securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.10.

2.10. Derivatives and Trading

Financial assets at fair value through profit or loss are financial assets held for trading or upon initial recognition are designated by the group as at fair value through profit or loss. A financial asset is primarily classified as held for trading in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other (losses)/gains net in the period in which they arise. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date.

2.11. Property, plant and equipment

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Property, plant and equipment are stated at actual cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of premise and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use, while maintenance and repairs are charged to expense when incurred.

On April 1, 2010, the Company changed (with retrospective effect) its method of calculating depreciation on fixed assets, from the Written Down Value method (WDV) to the Straight Line Method (SLM) at the rates based on management s estimates of useful lives. Management believes that such change will result in a more appropriate presentation of financial statements.

The company adopted the straight line method (SLM) of depreciation so as to write off 100% of the cost of the assets based on management s estimates of the useful lives of all the assets. Estimated useful lives over which assets are depreciated are as follows:

Type of assets	September 30, Rates (SLM) adopted by the Company
Computer systems	3 years
Office equipments	3 years
Furniture and fixtures	5 years
Vehicles	4 years

The residual values and useful economic lives of premises and equipment are reviewed annually.

Depreciation on leasehold improvements is provided using the straight line method over the shorter of the lease term or the useful life of the asset.

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

2.12. Intangible assets

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

a) Software

Capitalised costs of computer software obtained for internal use represents costs incurred to purchase computer software from third parties. These capitalised costs are amortised over the period of three years on a straight line basis, if the estimated useful lives are beyond one year. However, if the estimated useful life of an asset is short i.e. less than a year, it is charged to the income statement. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

b) Trading rights in Stock Exchange

BSE membership

MF Global Sify acquired The Stock Exchange, Mumbai (the BSE) membership card on December 6, 2000. During the year 2005-06, a scheme, The Bombay Stock Exchange (Corporatisation and Demutualization) Scheme 2005 (the Scheme) was approved by the Securities Exchange Board of India with effect from August 19, 2005 which converted the BSE from an Association of Person to a corporate body in the name of Bombay Stock Exchange Limited (BSEL).

In accordance with the scheme, the members of the erstwhile BSE, in exchange of their erstwhile BSE membership cards (rights) received membership rights of BSEL (i.e. right to trade on BSEL without placement of cash deposit) as well as equity shares of BSEL. (refer to note 5.2 Membership in Exchanges)

DGCX membership

MF Global Middle East DMCC (DMCC) is registered with and has been granted a trading license by the Dubai Multi Commodities Centre on February 7, 2006. The United Arab Emirates Securities and Commodities Authority issued the DMCC a license on June 18, 2006 to operate as a broker on the Dubai Gold and Commodities Exchange (DGCX). DMCC has been admitted as a member of the DGCX on September 1, 2006. DMCC has paid and capitalized US \$100 thousand towards the license of DGCX, which is assessed for impairment.

Trading rights in stock exchanges have indefinite useful life and are carried at cost less any accumulated impairment. They are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.13. Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Both external as well as internal indicators are considered by the group for impairment testing. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14. Payables

Payables include payables to broker-dealers and clearing organizations and payable to customers. The payable to broker-dealers and clearing organizations are at fair values because of their nature of short-term maturity. Amount payable to customers include amounts due on cash and margin transactions. These are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15. Borrowings Bank overdraft

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.16. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws in the countries where the group operates and generates taxable income. The tax rate of MF Global Sify and its Indian Subsidiaries is 33.2175%. MF Global Middle East DMCC, the Dubai based subsidiary operates in a tax free jurisdiction. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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(All amounts in Indian Rupees thousands, except as otherwise stated)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences, if any, arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred income tax are recognized in the income statement, except when the tax relates to items charged or credited directly to equity, in which case the tax is also dealt with directly in equity.

2.18. Employee benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the group. The group provides employees with retirement benefits through both defined benefit and defined contribution schemes. Contributions to the defined contribution scheme are charged to the consolidated income statement as they become payable in accordance with the rules of the scheme.

a) *Provident Fund*

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The group has no further obligations under the plan beyond its monthly contributions.

b) *Gratuity*

The Gratuity Plan is a defined benefit plan that, at retirement or termination of employment, provides all employees with a lump sum payment, which is a function of the respective employee's salary and completed years of service with the group. The group provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme, the settlement obligation remains with the group, although the LIC administers the scheme and determines the contribution premium required to be paid by the group. The liability recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, if any, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government of India securities (representing risk-free interest rates) and that have terms to maturity approximating to the terms of the related gratuity liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise.

c) *Share based payment*

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The group's employees participate in share-based payment plans; that is stock appreciation rights plan sponsored by MF and co-investment plan sponsored by Man Group plc. The group follows IFRS 2, *Share Based Payment* (IFRS 2).

For Equity settled share based payments; the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date and expensed, together with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash settled share based payments; the fair value of the employee services received in exchange for the stock appreciation rights is recognised as an expense. The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value of each tranche of rights issued under the plan is expensed over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in the consolidated income statement.

The impact of non-market vesting conditions is included in assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement.

2.19. Revenue Recognition

a) *Commission, clearing fees, depository fee income*

Commission, clearing fees and related expenses are recorded on a trade-date basis as securities transactions occur. Depository fee income earned from customer is recognized in the period in which services are rendered.

b) *Dividend and Interest Income*

Dividend income is recognised when the right to receive the payment is established. Interest income is recognised on accrual basis using the effective interest rate method.

c) *Principal transactions*

Principal transactions include revenues from proprietary transactions. The Company records in Principal transactions the gains or losses on repurchase and resale agreements accounted for as sales and purchase transactions.

The Company does not separately amortize purchase premiums and discounts associated with proprietary transactions, as these are a component of the recorded fair value. Changes in the fair value of such securities are recorded as unrealized gains and losses within Principal transactions in the consolidated statements of operations.

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(All amounts in Indian Rupees thousands, except as otherwise stated)

d) *Other*

Other revenues consist of revenues the Company earns from other normal business operations that are not otherwise included elsewhere. These include fees from clients and other.

2.20. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. All leases are classified as operating leases.

Under these arrangements, interest free deposits have been given to the lessor and are refundable at the end of lease term. The group recognises the security deposit at fair value using the market rate of interest for a deposit of similar term. The difference between the amount of security deposit and fair value is considered as prepaid lease rental, which is a non-financial asset.

The security deposit initially recognised at fair value will accrete to the amount of security deposit received through accruals as interest income over the term of security deposit and prepaid lease rental will be charged to income statement as lease rental over the lease term.

3. Financial risk management objectives and policies

3.1. Financial risk factors

The group is exposed to a variety of financial risks. The principal risks are business risk, interest rate risk, price risk, foreign currency risk, credit risk and cash liquidity risk. Each of these risks is discussed in detail below. The group monitors financial risks on a consolidated basis. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The group has a risk management structure and processes to monitor, evaluate and manage the principal risks in conducting business.

Business Risk

The group's results of operations will be affected by many factors including economic, political and market conditions, broad trends in the brokerage and finance industry, changes in level of trading activity in the broader market place, price levels and price volatility in the derivative, equity and commodity markets, legislative and regulatory changes and competition, among other factors. In particular, the revenues of the group are substantially dependent on the volume of client transactions that it executes and clears, the volatility in the principal markets in which it operates and the prevailing interest rates.

Interest rate Risk

The group is exposed to interest rate risk primarily due to changes in interest rates on bank fixed deposits that impact the amount of interest income the group earns. Interest income is earned on fixed deposits placed with banks out of the group's funds and margin monies placed by clients. The group monitors the movement of interest rates to determine whether deposits need to be placed at fixed or floating interest rates. Investments in fixed deposits placed with banks earn fixed rate of interest. As at March 31, 2010 the carrying value of bank deposits approximates fair value of these deposits as having original maturity of less than a year. The weighted average rate of interest earned on bank fixed deposits amounted to 6.49% p.a. and 6.97% p.a. during the year ended March 31, 2011 and March 31, 2010, respectively.

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The group rolls-over fixed deposits on maturity based on the market condition and business needs; the weighted average remaining term of fixed deposits as at the balance sheet date is approximately 7.35 months and 4.8 months as at March 31, 2011 and March 31, 2010, respectively.

As at March 31, 2011, a 100 bps increase / decrease in interest rates, with all other variables held constant, would have resulted in an increase / decrease in Interest Income by Rs.18,064 (Previous year Rs. 10,377)

Price Risk

The group is subject to price risk in respect of investments held by the group in listed and unlisted equity shares and investment in money market mutual funds, which are held as available for sale securities. The impact of price risk on carrying value of these shares is not material compared to the size and operations of the group. Investments in money market funds are subject to minimum price risk due to their investment in instruments of highest safety call money market instruments. Highest Safety represents a credit rating equivalent of AAA.

Foreign Exchange Risk

The group has minimal transactional currency exposure arising from operations in currencies other than its functional currency.

Credit Risk

Credit risk is the possibility that the group may suffer a loss from the failure of clients or counterparties to meet their financial obligations at all or in a timely manner. The group acts as an agent in providing execution and clearing services for exchange-traded products. The group's clients security activities are transacted on either cash or margin basis. In the event that a client fails to satisfy its obligations for cash transactions, the group may be required to purchase or sell financial instruments at the prevailing market price to fulfil the client's obligations. The clients are required to maintain margin accounts with collateral sufficient to support their open trading positions. Initially, the group establishes each client's margin requirements to levels it believes are sufficient to cover their open positions. However, later if the client's subsequent trading activity or adverse market conditions may cause the client's previous margin payments to be inadequate to support their trading obligations, the group then serves as the exchange clearing member for the trade and thus the group would cover any shortfall and thereby expose itself to potential losses.

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The Credit exposure also arises in relation to fixed deposits placed with Banks. The group places fixed deposits with highly rated banks , which are reviewed on an on-going basis.

The group s policy is to place fixed deposits with credit worthy banks. The following table depicts that the majority of the group s fixed deposits are placed in highly rated banks :

	September 30, % of fixed deposits 2011	September 30, 2010
Investment grade		
Highest safety	100	100
High safety		
Adequate safety		
	100	100

Highest Safety represents a credit rating equivalent of AAA, A1+, P1+; High Safety represents a credit rating equivalent of AA; and Adequate Safety represents a credit rating of A.

The credit exposure also arises in relation to the deposits placed with exchanges and clearing corporations, which is required as per the rules of the exchanges / clearing corporation for the company membership. The risk is inherent in our industry and is largely controlled and influenced by the regulatory bodies that impose rules on the exchanges and clearing houses.

All exchanges and clearing houses are financially sound organisations and the Company is therefore not exposed to significant credit risk.

Risk Management Process and Mitigation

The group has a separate risk management department, which monitors, evaluates and manages the risks. Client-wise position limits are set by the risk department based on the collateral placed by the respective clients. The risk department is responsible for making daily risk reports based on day-end positions of clients. Client orders are directed to the exchange only if the risk parameters set by the risk department are met. The risk department monitors client activity levels to ensure exposures are within the risk parameters of the group. Intra-day margin calls are made on the clients to reflect market movements on the client positions and may result in clients being asked to reduce positions. Generally, the group reserves the right to liquidate any client position immediately in the event of a failure to meet a margin call. For the year ended March 31, 2011 and March 31, 2010, group s bad debts as a percentage of broking income were 2.75% and 0.01%, respectively. For clearing business, the group generally mandates that initial margin be paid by the clients as deposit before they commence trading. The clients are required to provide collateral as margin to secure the performance of their obligations.

The group employs the following techniques to monitor the market environment and clients risk of default based upon the exposure created by their open positions:

establishing risk parameters based on analysis of current and historical prices and price volatility;

intra-day and end of day risk limit monitoring, including intra-day position and trade monitoring to identify any accounts trading beyond pre-set limits and parameters;

market risk analysis and evaluation of adequacy of margin requirements for traded products;

intra-day stress analysis for material market moves or accounts with material position taking and

approval of margin requirements, limits and risk control of new instruments

Cash Liquidity Risk

In normal conditions, the group's core business of providing execution and clearing brokerage services is self-financing because the operations generate sufficient revenues to pay expenses as they become due. As a result, the group generally does not face a substantial cash liquidity risk that is a risk that the group will be unable to raise cash quickly enough to meet payment obligations as they arise. The group has sufficient readily available liquid assets and credit facilities to ensure that the group can meet financial obligations as they become due under both normal and distressed market conditions. The group also has committed credit lines from banks to support the business in respect of settlement and intraday requirements. The group evaluates liquidity needs by analysing the impact of liquidity stress scenarios. The following table analyses the Group's financial assets, liabilities and commitments. The amounts disclosed are the contractual undiscounted cash flows.

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***Year ended March 31, 2011**

	September 30, Within 6 months	September 30, 6 months to 1 Year	September 30, 2 to 3 years	September 30, After 3 years	September 30, Total
Financial Liabilities					
Payable to broker dealers and clearing organizations	264,504				264,504
Payable to customers	1,272,570				1,272,570
Borrowings	53,000				53,000
Accounts payable, accrued expenses, and other liabilities	505,605				505,605
	2,095,679				2,095,679

	September 30, Within 6 months	September 30, 6 months to 1 Year	September 30, 2 to 3 years	September 30, After 3 years	September 30, Total
The group has at its disposal following financial assets in addition to unused lines of credit.					
Cash and Bank balance	281,486				281,486
Cash-restricted	2,832,900	126,163			2,959,063
Interest bearing deposits with bank	86,523	6,839			93,362
Deposits with clearing organizations				173,783	173,783
Receivable from broker-dealers and clearing organizations	18,580				18,580
Receivable from customers	447,770				447,770
Available-for-sale securities					
Marketable, at market value	40,776				40,776
Interest accrued but not due	67,124				67,124
	3,775,159	133,002		173,783	4,081,944

Year ended March 31, 2010

	September 30, Within 6 months	September 30, 6 months to 1 Year	September 30, 2 to 3 years	September 30, After 3 years	September 30, Total
Financial Liabilities					
Payable to broker dealers and clearing organizations	139,965				139,965
Payable to customers	1,177,517				1,177,517
Borrowings	3,508				3,508
Accounts payable, accrued expenses, and other liabilities	394,327				394,327

1,715,317

1,715,317

	September 30, Within 6 months	September 30, 6 months to 1 Year	September 30, 2 to 3 years	September 30, After 3 years	September 30, Total
The group has at its disposal following financial assets in addition to unused lines of credit.					
Cash and bank balance	148,213				148,213
Cash-restricted	2,179,803	310,044			2,489,847
Interest bearing deposits with bank	107,445	188,214			295,659
Deposits with clearing organizations				110,969	110,969
Receivable from broker-dealers and clearing organizations	65,884				65,884
Receivable from customers	437,207				437,207
Available-for-sale securities Marketable, at market value	877				877
Available-for-sale securities not readily marketable, at fair value	11,447				11,447
Interest accrued but not due	71,443				71,443
	3,022,319	498,258		110,969	3,631,546

Available credit facilities (undrawn) as at March 31

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
Fund based facilities (working capital)		500,000
Non fund facilities		1,060,000
Total		1,560,000

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3.2. Capital risk management

The objectives of the Group when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain minimal debt. Capital of the group is equity as shown in the consolidated balance sheet. The exchange in which the group is a member has stipulated minimum net worth that must be maintained. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends to shareholders, issue new shares or sell assets to reduce debt. The group has embedded in its regulatory compliance framework the necessary test to ensure the continuous and full compliance with the net worth criteria set by the Exchange at each entity level. The group has complied with the net worth requirement at each entity level during the year and as at March 31, 2011 and March 31, 2010.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on the quoted market price at the balance sheet date. The quoted market price used for financial assets held by the group is the closing market price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques except for the investment in equity shares of Bombay Stock Exchange Limited.

The fair value of Investment in the equity shares of BSEL is provided by BSEL. The fair value provided by BSEL is used for valuing investment in shares for the purposes of computation of net worth of trading member.

However the Investment in BSEL have been sold by the company during the financials year March 31, 2011. Please refer to note 14 for further details.

The carrying value, less impairment provision of trade receivables, is assumed to approximate their fair values.

4. Critical accounting estimates and judgements

4.1. Critical accounting estimates

In the process of applying the group's accounting policies, management has made estimates and judgements in preparing the financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

MF makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of financial assets where there is no quoted price This determination requires significant judgement particularly in determining changes in fair value since the last formal valuation.

Impairment of non-financial assets The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

Income taxes There are transactions and calculations for which the ultimate tax determination is uncertain and would get finalized on completion of assessment by tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such

differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Defined benefit schemes – Gratuity Liability The costs of and period-end obligations under defined benefit schemes are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. The group reviews its assumptions annually in conjunction with its independent actuary and considers this adjustment appropriate given the geographical and demographic profile of the scheme.

Share-based payment transactions Share-based payments are measured at fair value by an independent valuer using the Black-Scholes model and expensed over the vesting period based on the group's estimate of shares that will eventually vest.

4.2. Critical accounting judgements in applying the entity's accounting policy

4.2.1. Revenue recognition

MF estimates that fixed deposits placed with banks will be held till maturity while determining the accrued interest, which is unpaid on the balance sheet date. In the event 1% of such deposit is withdrawn before its maturity date the Interest income will be lower by Rs. 733.

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***5. Intangible assets****5.1. Software**

	September 30, Computer Software	September 30, Web Development Costs	September 30, Total
Cost			
As at March 31, 2009	63,614	207,452	271,066
Additions	25,104		25,104
Disposals		(30)	(30)
Exchange difference	(27)		(27)
As at March 31, 2010	88,691	207,422	296,113
Additions	5,671		5,671
Disposals			
Exchange difference	(2)		(2)
As at March 31, 2011	94,360	207,422	301,782
Accumulated amortisation and impairment			
As at March 31, 2009	47,540	207,452	254,992
Charge for the year	12,992		12,992
Disposals		(30)	(30)
Exchange difference	(27)		(27)
As at March 31, 2010	60,505	207,422	267,927
Charge for the year	14,587		14,587
Disposals			
Exchange difference	(3)		(3)
As at March 31, 2011	75,089	207,422	282,511
Net book amount as at			
March 31, 2011	19,271		19,271
March 31, 2010*	28,424		28,424

(* Including of Capital WIP of Rs. 238)

5.2. Membership in Exchanges

Membership in exchanges consists of:

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- a) BSE membership of Rs.1,257 and Rs 1,257 as at March 31, 2011 and 2010 respectively, and
- b) DGCX membership of Rs.4,476 and Rs. 4,525 as at March 31, 2011 and 2010, respectively. DGCX membership value underwent a change due to foreign currency translation.

BSE membership

The carrying value of the erstwhile BSE membership card in the books of MF Global Sify was Rs.13,570 in August 2005. Consequent to the corporatisation of the BSE, MF Global Sify computed the fair value of the membership rights of BSEL and shares of BSEL as follows:

Membership rights of BSEL

On the basis of the benefits which MF Global Sify would get over the current deposit based membership right of BSEL

Equity shares of BSEL

On the basis of the fair value of the equity shares of BSEL determined by management
The fair value of the membership rights of BSEL is calculated by present value over 10 years of opportunity costs incurred on current deposit and admission fees required for new membership on the date of the balance sheet. The interest rate and present value is determined @ 8% p.a. On the balance sheet date the current deposit requirement is Rs. 1,000 and admission fees (non refundable) is Rs. 250.

In accordance with the above methodology, an impairment charge arose in BSE membership rights of Rs. Nil and Rs. 3,130, which was written off to the consolidated income statement during the year ended March 31, 2011 and March 31, 2010 respectively.

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***6. Property, Plant and Equipment***

	September 30, 238	September 30, 238	September 30, 238	September 30, 238	September 30, 238
	Furniture and Fixtures	Computers Systems	Office equipments	Vehicles	Total
Cost					
As at March 31, 2009	8,182	165,061	36,861	13,215	223,319
Additions	288	12,982	1,018		14,288
Disposals		(6)	(7)		(13)
Exchange difference	(153)	(110)	(92)	(114)	(469)
As at March 31, 2010	8,317	177,927	37,780	13,101	237,125
Additions	50	4,498	212		4,760
Disposals					
Exchange difference	(14)	(9)	(8)	(10)	(41)
As at March 31, 2011	8,353	182,416	37,984	13,091	241,844
Accumulated depreciation					
As at March 31, 2009	3,170	125,391	9,485	4,733	142,779
Charge for the year	913	17,395	3,923	2,175	24,406
Disposals		(5)	(1)		(6)
Exchange difference	(72)	(77)	(32)	(32)	(213)
As at March 31, 2010	4,011	142,704	13,375	6,876	166,966
Charge for the year	2,739	25,595	20,233	4,506	53,073
Disposals					
Exchange difference	(7)	(7)	(4)	(4)	(22)
As at March 31, 2011	6,743	168,292	33,604	11,378	220,017
Net book amount					
As at March 31, 2011	1,610	14,124	4,380	1,713	21,827
As at March 31, 2010	4,306	35,223	24,405	6,225	70,159
Change in Estimates					

On the basis of comprehensive evaluation on April 1, 2010, the Group has changed its method of calculating depreciation on fixed assets from the Written down Value method (WDV) to the Straight Line method (SLM) at the revised rates based on management's estimates of useful lives of the assets.

In View of such changes, the change of depreciation for the current year is higher by Rs. 31,395 (of which Rs.28,180 pertains to earlier periods upto March 31, 2010 and Rs. 3,232 pertains to the current year.) and the profit for the year is lower by the said amount of Rs.31,395. Correspondingly, the net block of the Fixed Asset is lower by Rs. 31,395 as at March 31, 2011.

As it is impracticable to estimate the effect of such changes on depreciation for the future periods, the same is not disclosed.

7. Deferred income tax

The movement in deferred tax assets and liabilities during the respective years is as follows:

	September 30, 2011	September 30, 2010
At April 1	17,901	56,082
Property Plant and Equipment	10,479	(3,422)
Provision on receivable from customers	12,765	(19,783)
Gratuity	891	59
Stock appreciation rights	24,404	(8,060)
Provision for Bonus	12,106	(8,593)
Stamp duty	930	1,618
At March 31	79,476	17,901
Comprised Of:		
Deferred Tax Assets	79,476	18,215
Deferred Tax Liabilities		(314)
	79,476	17,901

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

An analysis of the gross deferred tax asset and liability balances is as follows:

	September 30, 2011	September 30, 2010
Deferred tax assets:		
Property Plant and Equipment	11,308	829
Provision on receivable from customers	20,129	7,364
Stock appreciation rights	31,881	7,477
Provision for Bonus	13,033	927
Stamp Duty	2,548	1,618
Gratuity	577	
	79,476	18,215
Deferred tax liabilities:		
Nil		(314)
		(314)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	September 30, March 31, 2011	September 30, March 31, 2010
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	33,985	9,811
Deferred tax asset to be recovered within 12 months	45,491	8,404
	79,476	18,215
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months		314
Deferred tax liability to be recovered within 12 months		
		314
Deferred tax Assets (net)	79,476	17,901

	September 30, Property Plant and Equipment	September 30, Provision on receivable from customers	September 30, Stock appreciation rights	September 30, Provision for Bonus	September 30, Gratuity	September 30, Stamp Duty	September 30, Grand Total
Deferred tax assets:							
Opening Balance as on April 1, 2009	4,251	27,147	15,537	9,520			56,455

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Charged / (Credited) to Other Comprehensive Income	(3,325)	(19,166)	(6,605)	(8,375)		1,618	(35,853)
Effect of Change in Tax rates	(97)	(617)	(1,455)	(218)			(2,387)
As at March 31, 2010	829	7,364	7,477	927		1,618	18,215
Charged / (Credited) to Other Comprehensive Income	10,479	12,765	24,404	12,106	577	930	61,261
Effect of Change in Tax rates							
As at March 31, 2011	11,308	20,129	31,881	13,033	577	2,548	79,476

	September 30, Gratuity	September 30, Grand Total
Deferred tax liabilities:		
Opening Balance as on April 1, 2009	373	373
Charged / (Credited) to Other Comprehensive Income	(53)	(53)
Effect of Change in Tax rates	(6)	(6)
As at March 31, 2010	314	314
Charged / (Credited) to Other Comprehensive Income	(314)	(314)
Effect of Change in Tax rates		
As at March 31, 2011		

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***8. Receivables from customers**

Receivables from customers that are due for less than six months are generally not considered impaired. In respect of receivables that are neither past due nor impaired, as at the reporting date, there are no indications that the customers will not meet their payment obligations.

As at March 31, 2011, receivables of Rs.10,193 (March 31, 2010: Rs. 672) were past due but not impaired. There are no indications that these customers will not meet their payment obligations. The ageing analysis of receivables, which are not impaired, is as follows:

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
Up to 6 months	437,577	436,535
more than 6 months	10,193	672
	447,770	437,207

Receivables are tested individually for impairment. Based on such testing as at March 31, 2011, receivables of Rs 60,600. (March 31, 2010: Rs. 22,300) were impaired and provided for. The amount of the provision was Rs. 60,600 as at March 31, 2011 (March 31, 2010: Rs. 22,300).

The ageing of these receivables is as follows:

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
Up to 6 months	45,796	5,020
more than 6 months	14,804	17,280
	60,600	22,300

The carrying amounts of the group's receivables are denominated in Indian Rupees (INR):

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
	447,770	437,207
	447,770	437,207

Movements on the group's provision for impairment of trade receivables are as follows:

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	September 30, 2011	September 30, As at March 31, 2010	September 30, 2009
As at the beginning of the year	22,300	80,000	77,075
Provision for impairment	38,300		2,925
Write back of provision		(57,700)	
As at the closing of the year	60,600	22,300	80,000

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***9. Receivable from and payable to broker-dealer and clearing organisations**

Amounts receivable from and payable to broker-dealers and clearing organizations (non-interest bearing) within six months from the balance sheet date consist of the following:

	September 30, 2011	September 30, As at March 31, 2011	September 30, 2010	September 30, As at March 31, 2010
	Receivable	Payable	Receivable	Payable
Clearing organizations				
- Unsettled trade	8,208	38,638	60,250	8,327
Broker-Dealer	10,372	225,866	5,634	131,638
Total	18,580	264,504	65,884	139,965

10. Other assets

	September 30, 2011	September 30, As at March 31, 2010
Prepaid expenses	14,544	19,890
Advance tax (net of provisions)	168,746	124,124
Deposits	32,663	30,976
Loans and advances (to staff)	12,594	22,168
Gratuity Trust	2,228	3,232
Others*	15,025	19,892
	245,800	220,282

* includes Advances to vendors towards expenses, delayed payment charges from clients, withholding tax recoverable, etc.

11. Cash and Bank Balance

Cash and bank balance consist of:

September 30, 2011	September 30, As at March 31, 2010	September 30, 2009
-----------------------	--	-----------------------

Cash in hand	0.49	32.00	20
Cash at bank	281,485.27	148,181.00	181,596
	281,485.76	148,213.00	181,616

12. Cash restricted

Restricted cash as of March 31, 2011 includes fixed deposits of Rs.100,000 (Rs. 101,647 as of March 31, 2010) placed with banks as margins for bank guarantees issued to clearing organizations and fixed deposits of Rs.2,859,062 (Rs. 2,388,200 as of March 31, 2010) specifically earmarked as liens to clearing organizations towards margins.

Excess margin placed in the form of fixed deposits or bank guarantees can be withdrawn by giving one-day notice to the clearing organizations of the exchange.

Bank guarantees outstanding are Rs.200,000 as at March 31, 2011 (2010: Rs. 191,844). Bank guarantees are generally provided to the Exchanges for the purposes of Margins. An exchange may invoke these guarantees if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

13. Interest bearing deposits with banks

Interest bearing deposits with bank represent fixed term deposits placed with banks earning fixed rate of interest. At the balance sheet date, these deposits are measured at amortised cost using effective interest method.

The net decrease in interest bearing deposits with banks by Rs. 202,297 during the year is primarily on account of cash money repaid to customers.

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***14. Available for Sale Securities**

Available for sale Securities include following:

	September 30,	September 30,	September 30,	September 30,
	2011	As at March 31,	2010	
(a) Equity Shares (Quoted)	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Patni Computers Systems Limited.	18,096	8,633		
Piramal Health Care Limited	4,888	2,037		
Siemens Limited	34,171	30,106		
Rural Electrification Corporation Limited			3,500	877
Bombay Stock Exchange Limited			70,694	11,447
Total (a)	57,155	40,776	74,194	12,324
Templeton India Dividend reinvestment plan	9,286,667	92,868		
Total (b)	9,286,667	92,868		

Available for sale securities (listed) as at March 31, 2010 represents error trade.

The fair value of unlisted securities is determined based on the valuations provided by Bombay Stock Exchange Limited. This value is considered as fair value of investment in the net worth computation of trading member.

15. Share capital and Dividend distribution

	September 30,	September 30,
	As at March 31,	As at March 31,
	2011	2010
Authorised capital		
70,000,000 ordinary shares of Rs.10/- per share	700,000	650,000
As at March 31, 2011, 51,894,182 ordinary shares (March 31, 2010: 51,894,182 ordinary shares) of Rs.10/- each, issued and fully paid up aggregating to Rs.518,942 (March 31, 2010 Rs. 518,942)		

Dividend distribution

Dividends payable to equity shareholders are based on the net income available for distribution as reported in the stand alone financial statements of MF Global Sify prepared in accordance with Indian GAAP. The net income in accordance with IFRS may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders.

Under the Companies Act, 1956 of India dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10%, depending on the dividend percentage to be declared in such year. Dividends declared are subject to a dividend distribution tax of 16.22%.

16. Share based payments

Employee s Stock Appreciation Scheme

The group had introduced the Stock Appreciation Rights Plan 2006 (SARs Plan 2006), Stock Appreciation Rights Plan 2007 (SARS Plan 2007) and and Stock Appreciation Rights Plan 2008 (SARS Plan 2008) during the years ended March 31, 2007, March 31, 2008 and March 31, 2009, respectively, and granted stock appreciation rights to eligible employees. The group believes that such awards better align the interests of its employees with those of its shareholders. As per the SARS Plan, the stock appreciation rights shall vest with the employee and shall be settled in cash on the day following the fourth anniversary of the grant date. The Board of Directors of the Company has preponed the vesting date of the SARS Plan 2007 and SARS Plan 2008 from March 31, 2011 and March 31, 2012 to July 31, 2010 and March 31, 2011, respectively. The exercise price for the grant is Rs. Nil. SARs are accounted as cash settled share-based payments.

The group has granted a total of 711,247 SARs under the SARs Plan 2006, 809,500 SARs under the SARs Plan 2007 and 1,386,000 SARs under the SARs Plan 2008 to the employees. The weighted-average fair value of SARs as at March 31, 2011 is Rs 70 per unit (2010 : Rs. 86 per unit) for SARs Plan 2006, SARs plan 2007 and SARs plan 2008, respectively. The forfeited SARs are reissued to the other eligible employees, where the vesting period is from the date of reissue to the vesting date as per the initial grant of SARs. The Company has carried out an independent fair valuation of the stock appreciation rights as of March 31, 2011. The total unrecognized compensation costs relating to SARs to be recognized in the future over the remaining vesting period is estimated to be Rs. Nil and 110,769 as of March 31, 2011 and March 31, 2010 respectively.

The fair value of each SARs is estimated on the date of grant using a Black-Scholes valuation model that uses the following variables:

Stock Price: Current value of the underlying asset is derived through a valuation exercise, wherein the profit earning capacity has been considered as an appropriate method of valuation.

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MF Global Sify Securities India Private Limited

(All amounts in Indian Rupees thousands, except as otherwise stated)

The valuation has been undertaken based on the methodology of Price Earning Capacity Value (PECV Method) for the valuation of SARS every year.

PECV Method requires determination of three parameters, which are relevant to the company whose shares are being valued. These are

Corporate tax rate Current period tax rate is considered as corporate tax rate.

Future maintainable profit Future maintainable profit is derived based on simple average adjusted PBT for each year. From the future maintainable profit, corporate tax at the corporate tax rate has been deducted to derive future maintainable profit after tax.

Expected rate of return Expected rate of return is determined based on the average price earnings multiple of comparable companies on the basis of their 12 months average market prices.

The above parameters are approved by the Board of Directors. In accordance of this, an independent valuer has provided the valuation certificate at balance sheet date.

In the valuation as at March 31, 2011 the corporate tax rate is considered at 32.45% and Expected rate of return is determined at 7.81%.

Changes in number of SARs representing stock options outstanding were as follows:

	September 30, 2011	September 30, As at March 31, 2010	September 30, 2009
As at the beginning of the year	2,879,747	2,898,747	1,512,747
Granted during the year			1,386,000
Exercised	(2,558,394)		
Forfeited	(321,353)	(120,008)	(115,500)
Reissued		100,508	115,500
Lapsed			
As at the end of the year		2,879,747	2,898,747
Exercisable at the end of the year			
Approximate remaining vesting period in years		1.24	2.98

Co-investment plan

The co-investment plan allows selected senior employees of Man Group Plc, including those of MF, to use a portion of their cash bonus to purchase shares of Man Group Plc for investment within the plan. Shares held as investment within the plan for at least three years are matched by four shares of Man Group Plc. The plan limits the total value that can be received by a participant at 100% of their cash bonus, including both of their original investment in the plan and matching shares of Man Group Plc.

MF requested Man Group Plc for application to co-investment plan for certain senior employees. Man Group Plc consented and framed an India sub-plan (Plan) of the co-investment scheme, which was approved by the board of Man Group on May 31, 2006.

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During the year ended March 31, 2007, 4,476 shares of Man Group Plc were purchased by MF for its senior employees as a part of the Plan by contributing an amount of USD 200,000 (Rs.8,833 thousand) to ED & F Man Group (No.2) Employees Trust, which in turn issued 27,300 matching shares with a weighted-average grant date fair value of \$ 6.84 to be held in trust. There was no forfeiture, vesting or exercise of the grant during the year. The total unrecognized compensation to be expensed is Rs.NIL. MF is no longer a part of Man Group plc. and has not participated in the co-investment plan during the year ended March 31, 2011 and March 31, 2010.

17. Borrowings

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
Car Loan		3,508
		3,508

Aggregate maturities of the borrowings are as follows:

	September 30, As at March 31, 2011	September 30, As at March 31, 2010
On demand or within one year	53,000	1,266
In one to three years		2,242
In three to five years		
	53,000	3,508

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***18. Employee benefit obligation**

	September 30, 2011	September 30, 2010	September 30, 2009
	Years ended March 31,		
Gratuity	1,432	856	844
Stock appreciation rights	96,832	135,746	46,851
	98,264	136,602	47,695

The movement in the defined benefit obligation of gratuity over the period is as follows:

	September 30, 2011	September 30, 2010	September 30, 2009
	Years ended March 31,		
Opening defined benefit obligation	9,861	9,700	9,458
Current service cost	2,879	2,853	3,000
Interest cost	715	679	755
Actuarial losses/ (gains)	3,948	(3,373)	(3,471)
Benefits paid			(42)
Closing defined benefit obligation	17,403	9,859	9,700

The movement in the fair value of plan assets of the year is as follows:

	September 30, 2011	September 30, 2010	September 30, 2009
	Years ended March 31,		
Beginning of year	12,237	11,200	7,686
Expected return on plan assets	1,343	1,025	832
Actuarial (losses)/gains	(278)	11	(129)
Employer contributions	6,732		2,853
Benefits paid	(1,836)		(42)
Closing fair value of plan assets	18,198	12,236	11,200

The amounts recognised in the income statement in respect of gratuity are as follows:

September 30, 2011	September 30, 2010	September 30, 2009
Years ended March 31,		

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Current service cost	2,879	2,853	3,000
Interest cost	715	679	755
Actuarial loss	6,061	(3,384)	(3,342)
Expected return on plan asset	(1,344)	(1,025)	(832)
	8,311	(877)	(419)

The principal actuarial assumptions used were as follows:

	September 30, 2011	September 30, Years ended March 31, 2010	September 30, 2009
Discount rate	8.00%	7.00%	8.00%
Expected return on plan assets	9.25%	9.25%	9.15%
Long term rate of compensation increase	6.00%	6.00%	6.00 %

Mortality rates at various age groups are taken as per 1994-96 Life Insurance Corporation (LIC) Ultimate table.

19. Accounts payables, accrued expenses and other liabilities

	September 30, 2011	September 30, As at March 31, 2010	September 30, 2009
Accruals	41,758	41,489	35,541
Withholding tax payable	85,062	71,382	52,060
Bonus Payable	255,242	157,410	126,350
Other payables	123,543	124,046	138,007
Total	505,605	394,327	351,958

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***20. Other Expenses**

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Professional Fees	12,087	11,059	10,590
Travelling and conveyance	18,901	16,068	15,872
Books & Periodicals, Postage, printing and stationary	29,120	25,817	33,466
Loss on account of error trades (net)	10,923	12,602	12,452
Repairs & maintenance	818	145	2,717
Service fee expenses			15,735
Insurance Premium	1,248	963	19,801
Others	12,531	15,457	15,060
Total	85,628	82,111	125,693

21. Employee benefit expense

	September 30, 2011	September 30, Year ended March 31 2010	September 30, 2009
Salaries and bonus	670,766	508,264	483,382
Defined contribution plans	4,047	3,452	3,968
Defined benefit plans	9,134	159	285
Staff welfare expenses	14,677	6,796	2,896
Share based compensation expense	95,911	89,104	23,973
			730
	794,535	607,775	515,234

Share based compensation expense has increased during the year due to increase in fair value of SARS .

22. Provision for Doubtful Debts

The Company's allowance for doubtful accounts is based upon management's continuing review and evaluation of factors such as collateral value, aging and the financial condition of the customers. The allowance is assessed to reflect the best estimate of probable losses due to client defaults that have been incurred as of the balance sheet date. Any changes in the estimate are included in the operating results for the current period. In circumstances where a specific customer's inability to meet its financial obligation is known, the Company records a specific provision against accounts receivable to reduce the receivable to the amount that it reasonably believes will be collected. The bad debt expense aggregating to Rs. 38,300 is recognised for the years ended March 31, 2011 (PY March 31, 2010 Rs Nil).

23. Other income

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Profit on sale of available-for-sale securities	23,603		6,724
Delayed payment charges (*)	60,014	24,999	39,215
Research fees		3,072	
Referral fees (**)	57,745	51,160	2,824
Interest	16,278	5,566	51,990
Dividend	1,617	283	5,174
Currency Fluctuation Gain	912	7,960	167
Expenses Reversal (***)		17,567	
Principal Trading Activity	4,056		
Miscellaneous income	30,565	26,365	32,577
	194,790	136,972	138,671

(*) Delayed payment charges represents the penal charges levied to clients on account of delay in settlement of their trade related obligations.

(**) Referral fees consist of payments received for introducing clients to other MF Global associated companies.

(***) The amount of Rs 17,567 was provided in year 2009 on account of group recharges from MF Global Holdings Limited (formerly known as MF Global Limited) has been reversed during the current year on account of mutual agreement between the stakeholders.

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***24. Income tax expense**

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Current tax	127,322	122,679	127,269
Deferred tax (Note 7)	(61,575)	38,181	(894)
	65,747	160,860	126,375

The tax on MF's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Net income before taxes	307,587	468,403	343,292
Enacted tax rates in India	33.22%	33.99%	33.99%
Computed tax expense	102,180	159,210	116,685
Income exempt from tax:			
Dividend	(536)	(96)	(57)
Non-deductible expenses:			
Contribution to co-investment plan	734	751	751
Others including donations, IT interest etc.	678	1,228	1,275
Recharges by parent and affiliate companies		980	8,498
Excess Provisions for earlier years reverse back in current year	(26,491)		
Income charged at lower rate	(7,171)		
(Gain) / Loss in Subsidiaries	(4,209)	(3,294)	(1,123)
Others	562	2081	346
Income taxes recognized in the statement of income	65,747	160,860	126,375

25. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	September 30, Loans and receivables	September 30, Available for sale	September 30, Total
March 31, 2011			

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Assets as per balance sheet			
Cash and Bank balance	281,486		281,486
Cash-restricted	2,959,063		2,959,063
Interest bearing deposits with bank	93,362		93,362
Deposits with clearing organizations and others	173,783		173,783
Receivable from broker-dealers and clearing organizations	18,580		18,580
Receivable from customers	447,770		447,770
Available-for-sale securities:			
Marketable, at market value		40,776	40,776
Not readily marketable (at estimated fair value)		92,868	92,868
Interest accrued but not due	67,124		67,124
Other assets	245,800		245,800
	4,286,968	133,644	4,420,612

	September 30, Other financial liabilities	September 30, Total
Liabilities as per balance sheet		
Payable to broker dealers and clearing organizations	264,504	264,504
Payable to customers	1,272,570	1,272,570
Borrowings	53,000	53,000
Accounts payable, accrued expenses, and other liabilities	505,605	505,605
	2,095,679	2,095,679

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)*

March 31, 2010	September 30, Loans and receivables	September 30, Available for sale	September 30, Total
Assets as per balance sheet			
Cash and Bank balance	148,213		148,213
Cash-restricted	2,489,847		2,489,847
Interest bearing deposits with bank	295,659		295,659
Deposits with clearing organizations and others	110,969		110,969
Receivable from broker-dealers and clearing organizations	65,884		65,884
Receivable from customers	437,207		437,207
Available-for-sale securities:			
Marketable, at market value		877	877
Not readily marketable (at estimated fair value)		11,447	11,447
Interest accrued but not due	71,443		71,443
Other assets	203,982		203,982
	3,823,204	12,324	3,835,528

March 31, 2010	September 30, Other financial liabilities	September 30, Total
Liabilities as per balance sheet		
Payable to broker dealers and clearing organizations	139,965	139,965
Payable to customers	1,177,517	1,177,517
Borrowings	3,508	3,508
Accounts payable, accrued expenses, and other liabilities	394,327	394,327
	1,715,317	1,715,317

The carrying amounts reported in the balance sheet for cash and cash equivalents, receivables, amounts due to or from related parties, accounts payable and other liabilities approximate their respective fair values due to their short maturity.

26. During October 2010, Sify Technologies Limited, the minority shareholder of the Company holding 29.85 percent of the outstanding shares of the Company, requested the Company's Board of Directors to reconsider certain costs charged to the Company by MF Global Holdings Limited (the majority shareholder) and its affiliated and associated group companies, who hold 70.15 percent of the outstanding shares of the Company. These charges are currently recorded in the financial statements of the Company for year ended March 31, 2008 aggregating to Rs. 43,478,911 and March 31, 2009 aggregating to Rs. 15,374,528. The resolution of this matter between the shareholders remains uncertain and any financial adjustment that may arise is not presently known. Any financial adjustment that may arise on resolution of the said matter would be expected to be handled prospectively and therefore would be reported in the period in which it is resolved.

27. **Merger of Subsidiary Company**

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The Scheme of Amalgamation (the Scheme) of MF Global Capital India Private Limited (MFGCIPL) [the Transferor Company] with MF Global Sify Securities India Private Limited (MFGSSIPL) [the Transferee Company] was sanctioned by the Bombay High Court on March 25, 2011 and the order sanctioning the Scheme was filed with the Registrar of Companies at Mumbai on April 15, 2011 (the Effective Date).

Accordingly, pursuant to the Scheme, the undertaking of the erstwhile MFGCIPL (comprising all of its properties and assets (whether movable or immovable, tangible or intangible) such as security deposits, licenses, permits, quotas, approvals, leases, tenancy rights, permissions, incentives if any, and all other rights, title, interests, contracts, consent, approvals or powers of every nature and descriptions shall without any further act, instrument or deed stand transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company, free from all encumbrances, but subject to subsisting charges and pledges, if any. All debts, liabilities, contingent liabilities, financial commitments, duties and obligations pertaining to the Transferor Company, whether provided for or not in the books of account of the Transferor Company and whether disclosed or undisclosed in its Balance Sheet has been transferred to and vested with MFGSSIPL retrospectively with effect from April 1, 2010 (the Appointed Date). The Scheme has accordingly been given effect to in these financial statements.

28. Commitments and contingencies

a) Contingent Liabilities

(i) Guarantee given by scheduled banks on behalf of the company in favour of commodity Exchange Rs. 200,000 (PY ending March 31, 2010 Rs.190,000).

(ii) Claims against the company not acknowledged as debts Rs. 15,030 (PY. ending March 31, 2010 Rs. 15,030).

Table of Contents**MF Global Sify Securities India Private Limited**

(All amounts in Indian Rupees thousands, except as otherwise stated)

b) *Operating lease commitments MF as lessee*

The group has obligations under long term operating leases with initial non-cancellable terms in excess of one year. Aggregate annual rentals for office space as of March 31, 2011, are approximately as listed below:

	September 30, As at March 31, 2011	September 30, 2010
Not later than 1 year	59,409	59,087
Later than 1 year and not later than 5 years	20,346	13,771
Later than 5 years		
Total minimum lease commitments	79,755	72,858

Rent expense for the current year aggregated to Rs. 59,979 (2010: Rs. 61,694) and is included in the occupancy expense line item on the consolidated statements of income.

c) *Contingencies*

The group is a member of various exchanges that trade and clear securities, commodities and/or futures contracts. Associated with its membership, the group may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the group's exposure would be restricted only to the extent of amounts receivable from the exchange and would arise only if the exchange had previously exhausted its resources. However, based on its experience, the company expects the risk of loss to be remote.

29. Related party transactions

The share capital of MF is held jointly by MF Global Overseas Limited and Sify Technologies Limited. The ultimate holding company of MF Global Sify is MF Global Holdings Limited.

a) **Related Party Relationship**

Related parties where control exists:

Nature of Relationship

Holding enterprises:

Ultimate Holding company:

Party having substantial interest:

Related Party

MF Global Overseas Limited

MF Global Holdings Limited

Sify Technologies Limited

Other related parties with whom transactions have taken place:

Nature of Relationship

Subsidiary companies:

Fellow subsidiary companies:
(where transactions exist)

Key management personnel:

Related Party

MF Global Commodities India Private Limited
MF Global Middle East DMCC

MF Global India Private Limited
MF Global Holdings HK Limited
MF Global Hong Kong Limited
MF Global Australia Limited
MF Global Singapore Limited
MF Global Finance & Investment Services India Private Limited
MF Global Centralised Services India Private Limited
MF Global UK Limited
MF Global Inc (DE)

Mr. Vineet Bhatnagar
Mr. Rajendra Bhambhani
Mr. Randy MacDonald#
(#Joined with effect from July 28, 2010)
Mr. Laurence O Connell*
(*resigned with effect from May 25, 2010)

Table of Contents**MF Global Sify Securities India Private Limited***(All amounts in Indian Rupees thousands, except as otherwise stated)***b) Transactions involving services**

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Services provided by MF to:			
Holding companies			
Reimbursement of Expenses		539	3,205
Fellow Subsidiary Companies			
Referral Fees	57,750	51,162	51,992
Brokerage Income	5,333		5,185
Reimbursement of Expenses	5,165	5,646	8,715
	68,248	57,347	69,097
Services received by MF from:			
Holding companies			
Service Fees			9,349
Bank Guarantee Commission	72	497	1,692
Insurance Premium		(17,567)	17,842
Purchase / AMC of Computer Hardware			6,600
Fellow Subsidiary Companies			
Lease Line Charges			1,675
IB Commission Expense	4,691	2,006	1,454
Interest Expense	1,562	888	1,039
Service Fees			6,386
Membership & Subscription	6,368	3,266	247
	12,693	(10,910)	46,284
Loan Taken and Repaid (Net)	(5,300)	383,700	270,000

c) Key management compensation

	September 30, 2011	September 30, Year ended March 31, 2010	September 30, 2009
Salaries and other short-term employee benefits	122,410	71,361	63,112
Other long-term benefits (Co-Investment Plan)		2,208	2,208
Share-based payments		19,653	5,420
	122,410	93,222	70,740

d) Year-end balances arising from transactions involving services

	September 30,	September 30,
<i>Due To Related Parties</i>		
MF Global Holdings Ltd.	32,857	34,005
MF Global UK Ltd.	57,953	19,213
MF Global Inc. DE	6,372	3,504
MF Global Holdings USA Inc.	2,014	2,036
MF Global Singapore Pte Ltd.	1,028	1,529
MF Global Holdings HK Ltd.		699
MF Global Finance and Investment Services India Private Limited	53,000	
MF Global Australia Limited	125	
	153,349	60,986
<i>Due from Related Parties</i>		
MF Global Inc. DE	179	361
MF Global Mauritius Pvt. Ltd.	1,116	1,399
MF Global Singapore Pte Ltd.	1,243	2,347
MF Global Holdings HK Ltd.	109	
MF Global HK Ltd.	269	
MF Global UK Ltd.	1,697	2,257
MF Global Overseas Limited		3,292
MF Global India Pvt. Ltd.	1,153	
MF Global Centralised Services India Pvt. Ltd.		1,287
MF Global FXA Securites Limited	200	
	5,966	10,943

For and on behalf of the Board

Vineet Bhatnagar

Managing Director

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ITEM 19. Exhibits

Number	Description
1.1	Amended Articles of Association of Sify Technologies Limited. (1)
1.2	Memorandum of Association of Sify Technologies Limited. (2)
1.3	Amendment of Memorandum of Association. (3)
2.1	Deposit Agreement, dated as of October 18, 1999, among Sify Technologies Limited, Citibank, N.A. and holders from time to time of American Depository Shares evidenced by American Depository Receipts issued thereunder (including, as an exhibit, the form of American Depository Receipt). (4)
2.2	Amendment No. 1 to Deposit Agreement among Sify Technologies Limited, Citibank, N.A. and holders from time to time of American Depository Shares evidenced by American Depository Receipts issued thereunder (including, as an exhibit, the form of American Depository Receipt). (4)
2.3	Amendment No. 2 to Deposit Agreement among Sify Technologies Limited, Citibank, N.A. and holders from time to time of American Depository Shares evidenced by American Depository Receipts issued thereunder (including, as an exhibit, the form of American Depository Receipt). (5)
2.4	Subscription Agreement dated November 10, 2005 between Sify Technologies Limited and Infinity Capital Ventures, LP. (9)
2.5	Standstill Agreement dated November 10, 2005 by and among Sify Technologies Limited, Infinity Capital Ventures, LP and Mr Raju Vegesna. (9)
2.6	Shareholders Agreement dated December 20, 2005 between Sify Technologies Limited, Infinity Satcom Universal (P) Limited, and Sify Communications Limited(erstwhile subsidiary). (10)
2.7	Shareholders Agreement dated November 25, 2005 between Sify Technologies Limited and Man Financial. (11)
4.1	Associate Stock Option Plan 2000 (6)
4.2	Associate Stock Option Plan 2002 (6)
4.3	Associate Stock Option Plan 2005 (12)
4.4	Associate Stock Option Plan 2007 (14)
4.5	Form of Indemnification Agreement. (7)
4.6	License Agreement for Provision of Internet Service, including Internet Telephony dated as of April 1, 2002 by and between Sify Technologies Limited and the Government of India, Ministry of Communications and Information Technology, Department of Telecommunications, Telecom Commission. (3)
4.7	Bank Guarantee, dated as of November 4, 1998. (2)
4.8	Agreement, dated November 10, 2004, between Sify Technologies Limited, Satyam Computer Services Limited, SAIF Investment Company Limited and Venture Tech Solutions Pvt. Ltd. (8)
4.9	Subscription Agreement dated March 24, 2008 between Sify Technologies Limited and Infinity Satcom Universal Private Limited. (13)
4.10	Scheme of Amalgamation between Sify Communications Limited with Sify Technologies Limited and their respective shareholders (15)
4.11	Subscription agreement dated October 22, 2010 between Sify Technologies Limited and Mr Ananda Raju Vegesna, Representative of the entities and affiliates in India of Mr Raju Vegesna, Chief Executive and Managing Director of the company. (16)
4.12	Amendment to subscription agreement dated September 7, 2011 between Sify Technologies Limited and Mr Ananda Raju Vegesna, Representative of the entities and affiliates in India of Mr Raju Vegesna, Chief Executive and Managing Director of the company. (17)

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Number	Description
8.1	List of Subsidiaries (18)
11.1	Code of Conduct and Conflict of Interest Policy (6)
12.1	Rule 13a-14(a) Certification of Chief Executive Officer
12.2	Rule 13a-14(a) Certification of Chief Financial Officer
13.1	Section 1350 Certification of Chief Executive Officer
13.2	Section 1350 Certification of Chief Financial Officer
15.1	Consent of ASA & Associates in respect of Sify Technologies Limited (18)
15.2	Consent of Price Waterhouse in respect of MF Global Sify Securities Private Limited (18)
15.3	Consent of KPMG in respect of Sify Technologies Limited (18)
15.4	Consent of ASA & Associates in respect of MF Global Sify Securities Private Limited

- (1) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on October 17, 2007 and incorporated herein by reference.
- (2) Previously filed as an exhibit to Amendment No. 1 to the Registration Statement on Form F-1 filed with the Commission on October 4, 1999 and incorporated herein by reference.
- (3) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on October 17, 2007 and incorporated herein by reference.
- (4) Previously filed as an exhibit to the Post-Effective Amendment No. 1 to Form F-6 filed with the Commission on January 5, 2000 and incorporated herein by reference.
- (5) Previously filed as an exhibit to the Registration Statement on Form S-8 (File No. 333-101322) filed with Commission on November 20, 2002 and incorporated herein by reference.
- (6) Previously filed as an exhibit to the Annual Report on Form 20-F filed with the Commission on June 29, 2004 and incorporated herein by reference.
- (7) Previously filed as an exhibit to Amendment No. 2 to the Registration Statement on Form F-2 filed with the Commission on October 13, 1999 and incorporated herein by reference.
- (8) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on November 30, 2004 and incorporated herein by reference.
- (9)

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Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on November 21, 2005 and incorporated herein by reference.

- (10) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on December 7, 2005 and incorporated herein by reference.
- (11) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on December 23, 2005 and incorporated herein by reference.
- (12) Previously filed as an exhibit to the Annual Report on Form 20-F filed with the Commission on June 30, 2006 and incorporated herein by reference.
- (13) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on April 14, 2008 and incorporated herein by reference.
- (14) Previously filed as an exhibit to the Report on Form 20-F filed with the Commission on October 11, 2008 and incorporated herein by reference.
- (15) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on January 23, 2009 and incorporated herein by reference.
- (16) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on November 15, 2010 and incorporated herein by reference.
- (17) Previously filed as an exhibit to the Report on Form 6-K filed with the Commission on September 8, 2011 and incorporated herein by reference.
- (18) Previously filed as an exhibit to the Report on Form 20-F filed with the Commission on October 12, 2011 and incorporated herein by reference.

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SIGNATURES

The company hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

SIFY TECHNOLOGIES LIMITED

By: /s/ Raju Vegesna
Name: Raju Vegesna
Title: Chief Executive Officer

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

Date: June 19, 2012