SIFY TECHNOLOGIES LTD
Form 20-F
June 20, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

Or

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

For the fiscal year ended March 31, 2018.

Or

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

For the transition period from ________to________

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

Date of event requiring this shell Company report _________

Commission file number 000-27663

Sify Technologies Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation at Registrant's name into English)

Chennai, Tamil Nadu, India

(Jurisdiction of incorporation or organization)

TIDEL Park, 2nd Floor

4, Rajiv Gandhi Salai

Taramani, Chennai 600 113 India

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

(Address of principal executive office)

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

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

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

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

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

178,684,647 Equity Shares.

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

Yes ¨ **No þ**

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 þ**

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 þ 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 þ**

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 þ**

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

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

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Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references in this annual report to “we,” “us,” the “Company,” “Sify” or “Satyam Infoway” are to Sify Technologies Limited, a limited liability Company organized under the laws of the Republic of India. References to “U.S.” or the “United States” are to the United States of America, its territories and its possessions. References to “India” are to the Republic of India. In January 2003, we changed the name of our Company from Satyam Infoway Limited to Sify Limited. In October 2007, we again changed our name from Sify Limited to Sify Technologies Limited. “Sify”, “SifyMax.in,”, “Sify e-ports” and “Sify online” are trademarks used by us for which we have already obtained registration certificates in India. All other trademarks or trade names used in this Annual Report on Form 20-F for the year ended March 31, 2018 (the “Annual Report”) are the property of their respective owners. In this Annual Report, references to “$,” “Dollars” or “U.S. dollars” are to the legal currency of the United States, and references to “ ”, “Rs.,” “rupees” or “Indian rupees” are to the legal currency of India. References to a particular “fiscal” year are to our fisc year ended March 31 of such year. References to the “Group” mean Sify Technologies Limited and its subsidiaries. References to “equity shares” refer to our Indian Equity Shares, which are not traded on an exchange in India or the United States. References to “ADSs” refer to our American Depositary Shares, which are traded on the NASDAQ Capital Market under the symbol “SIFY.”

For your convenience, this Annual Report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Annual Report, all translations from Indian rupees to U.S. dollars contained in this Annual Report have been based on the reference rate in the City of Mumbai on March 31, 2018 for cable transfers in Indian rupees as published by the Reserve Bank of India (RBI), which was 65.04 per US $1.00.

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

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

Forward-Looking Statements

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

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

PART I

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

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

Summary of Consolidated Financial Data

You should read the summary consolidated financial data below in conjunction with the Company's consolidated financial statements and the related notes, as well as the section entitled "Operating and Financial Review and Prospects," all of which are included elsewhere in this Annual Report. The summary consolidated statements of income data for the five years ended March 31, 2018, 2017, 2016, 2015 and 2014 and the summary consolidated Statement of Financial Position as of March 31, 2018, 2017, 2016, 2015 and 2014 have been derived from our audited consolidated financial statements and related notes to the consolidated financial statements which were prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). Historical results are not necessarily indicative of future results.

Sify Technologies Limited

Consolidated Statement of Income

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

	Year ended March 31,					
	2018	**2017**	**2016**	**2015**	**2014**	2018 Convenience translation into US$ in thousands, except share and per share data **(See Note 1)**
Revenue	20,685,613	18,432,020	15,034,896	12,864,614	10,460,229	318,044
Cost of goods sold and services rendered	(13,434,950)	(11,870,221)	(9,103,864)	(7,727,312)	(6,136,860)	(206,565)
Other income	189,738	145,872	104,885	92,859	93,461	2,918
Selling, general and administrative expenses	(4,394,814)	(3,991,273)	(3,479,287)	(3,132,040)	(2,739,813)	(67,571)
Depreciation and amortization	(1,754,537)	(1,758,776)	(1,598,037)	(1,271,806)	(1,101,243)	(26,976)
Profit / (loss) from operating activities	1,291,050	957,622	958,593	826,315	575,774	19,850
Finance income	129,325	122,584	45,437	61,358	120,248	1,988
Finance expenses	(496,780)	(437,109)	(565,712)	(512,293)	(377,622)	(7,638)
Net finance income / (expense)	(367,455)	(314,525)	(520,275)	(450,935)	(257,374)	(5,650)
Profit / (loss) before tax	923,595	643,097	438,318	375,380	318,400	14,200
Income tax (expense) / benefit	(194)	(698)	135	(122)	-	(3)
Profit / (loss) for the year	923,401	642,399	438,453	375,258	318,400	14,197
Attributable to:						
Equity holders of the Company	923,401	642,399	438,453	375,258	318,400	14,197
Non-controlling interest	-	-	-	-	-	
	923,401	642,399	438,453	375,258	318,400	14,197
Earnings per share						
Basic earnings per share	6.14	4.45	3.11	2.66	2.33	0.09
Diluted earnings per share	6.11	4.45	3.10	2.65	2.33	0.09

Dividend paid per share *						
Fully paid up (10 per share)	1.20	1.00	1.00	1.00	-	0.02
Partly paid up (7.75 per share)	0.93	0.70	0.70	0.70	-	0.01

* Excluding dividend distribution tax

Particulars
(Rupees in thousands, except share and per share data)
Balance Sheet data

	March 31,					Convenience translation into US$ in thousands, except share and per share data (see note 1)
	2018	2017	2016	2015	2014	2018
						$
Cash and cash equivalents including restricted cash	2,288,121	1,884,265	1,735,880	1,477,547	1,270,127	35,180
Net current assets	1,851,124	700,522	1,046,673	1,032,893	1,110,210	28,461
Total assets	24,462,104	21,534,054	18,601,926	16,234,235	14,114,363	376,109
Total equity attributable to equity shareholders of the Company	9,004,953	8,264,419	7,500,831	7,165,301	6,955,653	138,453
Cash Flow Data						
Net cash provided by / (used in):						
Operating activities	2,120,604	1,748,483	2,442,662	1,556,981	968,441	32,604
Investing activities	(1,794,304)	(1,609,979)	(1,566,051)	(866,925)	(806,684)	(27,587)
Financing activities	(1,048,056)	(257,913)	(580,313)	(597,725)	114,999	(16,114)

Notes

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

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Exchange Rates

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

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

Month	High	Low
May 2018	68.39	66.61
April 2018	66.83	64.93
March 2018	65.23	64.80
February 2018	65.10	63.61
January 2018	63.98	63.35
December 2017	64.54	63.93

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

Fiscal Year Ended March 31	Period end	Average	High	Low
2018	65.04	64.45	65.76	63.35
2017	64.84	67.09	68.72	64.84
2016	66.33	65.46	68.78	62.16
2015	62.59	61.14	63.75	58.43
2014	60.10	60.49	68.36	53.74

On March 31, 2018, the reference rate in the City of Mumbai for cable transfers in Indian rupees as published by RBI was 65.04.

On June 20, 2018, the reference rate in the City of Mumbai for cable transfers in Indian rupees as published by RBI was 68.08.

Capitalization and indebtedness

Not applicable.

Reasons for the offer and use of proceeds

Not applicable.

Risk Factors

Investing in our American Depositary Shares, or ADSs, involves a high degree of risk. This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those described in the following risk factors and elsewhere in this Annual Report. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our ADS could decline, and you could lose part or all of your investment. Our business, operating results, financial performance, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Risks Related to our Company and Industry

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

We have in the past incurred losses. We may in the future incur net losses and suffer negative operating cash flows. We expect to increase our expenditures as we continue to expand our services, promote our brand, and invest in the expansion of our infrastructure. In future, we may incur expenses in connection with investments in Network Data Centers and related infrastructure. Accordingly, we will need to significantly increase our revenues in order to improve our profitability. We cannot assure you that we will improve our profitability or that we will not incur operating losses in the future. If we are unable to become consistently profitable and continue to incur losses, we may be unable to build a sustainable business and our results of operations may be adversely affected. In this event, the price of our ADSs and the value of your investment may decline.

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

Spending on technology products and services is subject to fluctuations depending on many factors, including the economic environment in the markets in which our clients operate. Factors such as the pace of recovery, management of large government deficits, sovereign ratings of government bonds, which we believe remains challenging in many countries and may continue to be challenging in the near future, or any slowdown in global IT spending may adversely affect our revenue growth, due to the markets in which our clients operate. Global economic performance also has a bearing on our Infrastructure and e-Learning businesses. Currency fluctuations will also lead to variations in revenue. The Infrastructure Managed Services, National Long Distance ('NLD') / International Long Distance ('ILD') business and eLearning may be affected in terms of prices and growth.

With regard to the Indian economy, we continue to experience pricing pressure due to competition in the markets in which we operate. Lead times for orders or contracts have become much longer, as we have longer credit periods. These factors have affected and will affect the growth in demand for our corporate business.

We have invested in building our network and Data Center infrastructure and will continue invest in the future. Our utilization rates of the existing and prospective infrastructure will determine our profitability. We may not utilize our infrastructure at the optimum level which would impact our revenue.

Reduction in IT spending, inability to maintain or increase prices, extended credit terms, and inability to maintain or improve utilization rates of our infrastructure may adversely impact our revenues, gross profits, operating margins and results of operations.

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

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

We use derivative financial instruments, such as foreign exchange forward and option contracts, to mitigate the risk of changes in foreign exchange rates on accounts receivable and payable and forecast cash flows denominated in US dollar. We may not purchase derivative instruments for a sufficient amount to adequately insulate ourselves from foreign currency exchange risks. We have entered into interest rate swap transactions. Exchange rate fluctuations may adversely impact our cash flows on these transactions.

For the year ended March 31, 2018, we have recognized a net gain of 6.97 million ($0.11 million) arising on account of foreign exchange fluctuations. If foreign exchange currency markets continue to be volatile, such fluctuations in foreign currency exchange rates could materially and adversely affect our results of operations in future periods. Also, the volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively and make them expensive.

Further, the policies of the Reserve Bank of India (RBI) may change from time to time which may limit our ability to hedge our foreign currency exposures adequately. Full or increased capital account convertibility, if introduced, could result in increased volatility in the fluctuations of exchange rates between the Indian rupee and US dollar. Our US customers may leave us exposed to fluctuation in revenues based on currency fluctuations.

A significant portion of our revenue arises from exports in foreign currency and hence, any appreciation/ depreciation in Indian Rupee in relation to any foreign currency may affect our revenue and profits.

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

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

Our corporate network services compete with well-established companies, including Bharti Airtel, Tata Communications Limited, the Government-owned telecom companies, Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited and new players like Reliance Jio.

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

Pressure on margins may affect the results of our operations.

Our margins have been stagnant recently due to competitive pricing pressure. While we seek to manage costs efficiently, there may not be improvements in margins due to the sustained pricing pressure. Unavailability of tax loss carryforwards might impact our margins in the current year and the future. Our continuing investment in infrastructure may result in lower margins in the initial years of investment and may or may not improve further, which will adversely impact our margins.

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

We have been availing duty benefit for our import of capital goods under the EPCG scheme available for export of services. Under the scheme, we are eligible to import capital goods without import duty with an obligation to generate export earnings to the extent of 6 times the value of such duty benefit availed within a period of 6 years over and above the annual average export obligation. Though there are export earnings at present, we may fail to fulfill such obligation in the future. In the case of a shortfall in fulfilment of such export obligation, we may be subjected to repay the duty benefit availed along with interest.

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology

The technology market is characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet client needs. We may fail to anticipate or respond to these advances on a timely basis, or, if we do respond, the services or technologies that we develop may not be successful in the marketplace. We have recently introduced, and propose to introduce several solutions involving complex delivery models combined with innovative outcome-based pricing models. The complexity of these solutions, our inexperience in developing or implementing them and significant competition in the markets for these solutions may affect our ability to market these solutions successfully. In addition, better or more competitively priced products, services or technologies that are developed by our competitors may render our service non-competitive.

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

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

- the range of services provided by us and the usage thereof by our customers;
- the quantum and nature of any agreements we enter into with strategic partners for our services;
- the services, products or pricing policies introduced by our competitors;
- capital expenditure and other costs relating to our operations;
- the timing and quality of our marketing efforts;
- our ability to successfully integrate operations and technologies from any acquisitions, joint ventures or other business combinations or investments;
- the introduction of alternative technologies; and
- technical difficulties or system failures affecting the telecommunication infrastructure in India, the Internet generally or the operation of our websites.

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

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

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

We face the risk that fundamental changes may occur in the delivery of Internet access services in India. The internet market has seen significant changes in the recent past from connecting fixed offices/locations to connecting mobile devices to connecting disparate automated devices and to continue to be relevant in this dynamic and disruptive environment, we will have to develop new technology or modify our existing technology to accommodate these developments. Our pursuit of these technological advances, whether directly through internal development or by third-party license, may require substantial time and expense. We may be unable to adapt our Internet service business to alternate delivery means and new technologies may not be available to us at all. We provide wireless connectivity on the 5.7 GHz spectrum allotted to us by the Wireless Planning Commission. The spectrum allocation may be inconsistent with industry standards. The current capacity may be insufficient to offer a breadth of services. The Government may issue instructions to release the spectrum that we hold. High cost of spectrum acquisition may be inconsistent with our revenue and cost models. We may not keep up with the pace of change that takes place in wireless technologies.

Disruption to our Networks and Data Center infrastructure may cause us to lose customers and/or incur additional expenses.

Some of the risks to our infrastructure include physical damage, security breaches, capacity limitations, power surges or outages, software incompatibility and/or other disruptions beyond our control, such as natural disasters and acts of terrorism. From time to time in the course of our operations, we experience disruptions in our service due to factors such as cable damage, theft of our equipment, inclement weather and service failures of our third-party service providers. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers, or increase our operating expense, both of which could adversely affect our business, revenues and cash flows.

The success of our business depends on penetration of the Internet in India, which may be slowed or halted by technical obstacles in India.

Penetration of the internet and availability of increased bandwidth in India, which is the measure of Internet penetration, is relatively low and slow compared to many developing and developed countries in the world. Though in recent years, the coverage of tier III/tier IV cities has increased, there may be many technical obstacles to accessing certain regions which may increase the cost of delivering internet and thereby cause a slowdown or halt the progress of internet, which will adversely affect our operations.

We may be compelled to surrender or pay additional for the spectrum that was allotted to us earlier.

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

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

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

We may not be able to retain and acquire customers for our Data Centers.

In the field of Data Center services, competition from Data Center operators may attract customers away from us or make it more difficult for us to attract new customers. If competitors are more successful than us in the market, it

could be difficult for us to retain and/or acquire customers. Furthermore, once customers cease using our services and choose another service provider, it may require substantial efforts in terms of cost and time to re-acquire such customers, and despite spending on such customer acquisition or retention, we may be unsuccessful in retaining such customers.

In order to improve our competitiveness, we continue to expand our Data Center infrastructure. If we are unable to attract adequate customers, we will not be able to achieve the revenues initially anticipated, which could have an adverse effect on our future results of operations and financial condition.

Our Data Centers may not be competitive enough in terms of green features.

We may fail to convert our existing Data Centers and/or build new Data Centers under the LEED (Leadership in Energy and Environmental Design) Commercial Interior (CI) programme of United States Green Building Council (USGBC). LEED certification is an internationally recognized programme and is considered one of the highest standards for energy efficient constructions. The Data Center uses several green features such as site ecology, water conservation, smart energy meters and equipment, reduction of CO_2 emissions, high recycle content, effective waste management and eco-friendly interiors. Increased demand for green Data Center may hamper the marketing of our existing Data Centers that are not LEED certified.

Reduction in power supply and non-availability of fuel may affect our Data Centers.

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

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

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

We face risks associated with having a long selling and implementation cycle for our services that requires us to make significant capital expenditures and resource commitments prior to recognizing revenue for those services.

Data Center service typically requires significant investment of capital, human resources and time by both our customers and us. Constructing and commissioning of a Data Center requires significant capital expenditures. A customer's decision to utilize our colocation services, our managed services or our other services typically involves time-consuming contract negotiations regarding the service level commitments and other terms, and substantial due diligence on the part of the customer regarding the adequacy of our infrastructure and attractiveness of our resources and services. Our efforts in pursuing a particular sale or customer may not be successful. If our efforts in pursuing sales and customers are unsuccessful, our financial condition could be negatively affected.

The Data Center business is capital-intensive, and we expect our capacity to generate capital in the short term may be insufficient to meet our anticipated capital requirements.

The costs of constructing, developing and operating Data Centers are substantial. Further, we may encounter development delays, excess development costs, or delays in developing space for our customers to utilize. We also may not be able to identify suitable land or facilities for new Data Centers or at a cost on terms acceptable to us. We are required to fund the costs of constructing, developing and operating our Data Centers with cash retained from operations, as well as from financings from bank and other borrowings. Moreover, the costs of constructing, developing and operating Data Centers have increased in recent years, and may further increase in the future, which may make it more difficult for us to expand our business and to operate our Data Centers profitably. If we cannot generate sufficient capital to meet our anticipated capital requirements, our financial condition, business expansion and future prospects could be materially affected.

Our customer base may decline if our customers or potential customers develop Data Centers or expand their own existing Data Centers.

Some of our customers may develop their own Data Center facilities. Other customers with their own existing Data Centers may choose to expand their Data Center operations in the future. In the event that any of our key customers were to develop or expand their Data Centers, we may lose business or face pressure as to the pricing of our services. In addition, if we fail to offer services that are cost-competitive and operationally advantageous as compared with services provided in-house by our customers, we may lose customers or fail to attract new customers. If we lose a customer, there is no assurance that we would be able to replace that customer at the same or a higher rate, or at all, and our business and results of operations would suffer.

Our Data Center infrastructure may become obsolete or unmarketable and we may not be able to upgrade our power, cooling, security or connectivity systems cost-effectively or at all.

The markets for the Data Centers we own and operate are characterized by rapidly changing technology, evolving industry standards, frequent new service introductions, shifting distribution channels and changing customer demands. As a result, the infrastructure at our Data Centers may become obsolete or unmarketable due to demand for new processes and/or technologies, including, without limitation: (i) new processes to deliver power to, or eliminate heat from, computer systems; (ii) customer demand for additional redundancy capacity; (iii) new technology that permits higher levels of critical load and heat removal than our Data Centers are currently designed to provide; and (iv) an inability of the power supply to support new, updated or upgraded technology. In addition, the systems that connect our Data Centers to the Internet and other external networks may become outdated, including with respect to latency, reliability and diversity of connectivity. When customers demand new processes or technologies, we may not be able to upgrade our Data Centers on a cost-effective basis, or at all, due to, among other things, increased expenses to us that cannot be passed on to customers or insufficient revenue to fund the necessary capital expenditures. The obsolescence of our power and cooling systems and/or our inability to upgrade our Data Centers, including associated connectivity, could reduce revenue at our Data Centers and could have a material adverse effect on us.

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

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

If we are not successful in expanding our service offerings, we may not achieve our financial goals and our results of operations may be adversely affected.

We have plans to expand the nature and scope of our service offerings, particularly into the area of cloud and managed services, including direct private connection to major cloud platforms and the provision of cloud infrastructure. The success of our expanded service offerings depends, in part, upon demand for such services by new and existing customers and our ability to meet their demand in a cost-effective manner. We may face a number of challenges expanding our service offerings, including:

- acquiring or developing the necessary expertise in IT;
- maintaining high-quality control and process execution standards;
- maintaining productivity levels and implementing necessary process improvements;
- controlling costs; and
- successfully attracting existing and new customers for new services we develop.

A failure by us to effectively manage the growth of our service portfolio could damage our reputation, cause us to lose business and adversely affect our results of operations. In addition, cloud and managed services may require significant upfront investment and continued expansion into these services may impact our profit margins. In the event that we are unable to successfully grow our service portfolio, we could lose our competitive edge in providing our existing cloud and managed services.

We may be vulnerable to security breaches which could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

As we provide assurances to our customers that we provide the highest level of security, any breach on such security could be harmful to our brand and reputation. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security. In addition, as we continue expanding our service offerings in managed cloud services, including direct private connection to major cloud platforms and the provision of cloud infrastructure, we will face greater risks from potential attacks because the provision of cloud-related services will increase the flow of Internet user data through the Data Center facilities we operate and create broader public access to our system. As techniques used to breach security change frequently and are often not recognized until launched against a target, we may not be able to implement new security measures in a timely manner or, if and when implemented, we may not be certain whether these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, regulatory penalties, loss of existing or potential customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial condition and results of operations.

In addition, any assertions of alleged security breaches or systems failure made against us, whether true or not, could harm our reputation, cause us to incur substantial legal fees and have a material adverse effect on our business, reputation, financial condition and results of operations.

We may encounter litigation and penalties due to breach of system and security controls by associates or sub-contractors in the online assessment services

We provide online assessment services to the Government, Public & Private sector undertakings. We provide these services through our online assessment tool. This tool engages employees and sub-contractors for student registration, exam center allocation, hall ticket issuance, question paper content creation, logistics planning, exam-day management, and results management. We cannot assure you that there may not be any breach of the system and security controls including any malpractices by candidates or sub-contractors or any person engaged with the conduct of the examination, which may expose us to criminal or civil enforcement actions in addition to penalties and suspension or disqualifications.

Despite our endeavor to maintain the sanctity of the examinations, an incident occurred in the month of February 2018 where Sify observed a technical glitch in the question paper. We decided to cancel the question paper and reexamination was successfully conducted immediately. A few answer keys appeared in the social media posted by an unknown person. Pursuant to the protests carried out by certain sections of students in Delhi, the government tasked the country's investigating agency with probing the matter. On May 23, 2018, Central Bureau of Investigation (CBI) conducted inquiry at 12 locations including 4 premises of Sify Technologies Limited. Sify extended its full support by submitting the reports, statements, process documents to CBI during the preliminary enquiry.

The authorities during the inquiry collected data pertaining to the examination conducted between February 17 to 22, 2018, in a FIR (First Information Report) filed subsequently, the authorities have suspected 7 candidates (appeared for exam) cheating at different exam centers. The authorities have also named 9 personnel of a private third-party agency engaged by Sify for the exam. Further, the authorities have also named one employee of Sify in his capacity as custodian of the question paper in his individual capacity.

Although Sify Technologies is not party to the proceedings, we have been extending full support and cooperation to the authorities in the investigation. We intend to take suitable steps after reviewing the final report once the investigation is completed.

We cannot assure you that similar instances will not occur in future and any such instances may impact our reputation and cause adverse effect on our business or results of operations.

We engage third-party contractors to carry out various services.

We endeavor to engage third-party contractors with proven track records, reliability and adequate financial resources. However, any such third-party contractor may still fail to provide satisfactory services at the level of quality required by us. Such failure could harm our reputation and have a material adverse effect on our business, reputation, financial condition and results of operations.

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

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

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

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

Any loss of business from our top clients could reduce our revenue and significantly impact our business.

In fiscal 2018, our largest client accounted for 10.94% of our total revenues and our five largest clients together accounted for 22.26% of our total revenues. The services we offer for specific clients are likely to vary from year to year. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. A number of factors other than our performance could cause the loss of or reduction in business or revenue from a client, and these factors are not predictable. For example, a client may demand price reductions, change its outsourcing strategy or move work in-house. If we lose one of our major clients or if one of our major clients significantly reduces its volume of business with us, our revenues and profitability could be reduced.

If we are unable to meet our service level commitments, our reputation and results of operation could suffer.

Most of our customer contracts provide that we maintain certain service level commitments to our customers. If we fail to meet our service level commitments, we may be contractually obligated to pay the affected customer a financial penalty, which varies by contract, and the customer may in some cases be able to terminate its contract. In addition, if such a failure were to occur, there can be no assurance that our customers will not seek other legal remedies that may be available to them, including:

- requiring us to provide free services;
- seeking damages for losses incurred; and
- cancelling or electing not to renew their contracts.

Any of these events could materially increase our expenses or reduce our net revenue, which would have a material adverse effect on our reputation and results of operations. Our failure to meet our commitments could also result in substantial customer dissatisfaction or loss. As a result of such customer loss and other potential liabilities, our net revenue and results of operations could be materially and adversely affected.

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

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

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

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

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

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

We may be unable to replace lost revenue due to customer cancellations, renewals at lower rates or other less favorable terms

It is key to our profitability that we offset committed recurring revenue due to customer cancellations, terminations, price reductions or other less favorable terms by adding new customers, selling more high-margin services, features and functionalities to existing customers and increasing traffic usage by all customers. Some customers may elect not to renew and others may renew at lower prices, lower committed traffic levels, or contract only for shorter time frame. Historically, a significant percentage of our renewals, particularly with larger customers, have led to declines in unit price as competition has increased and the market for certain parts of our business has saturated. Our renewal rates may decline as a result of a number of factors, including competitive pressures, customer dissatisfaction with our services, customers' inability to continue their operations and spending levels, the impact of multi-vendor policies, customers implementing or increasing their use of in-house technology solutions and general economic conditions.

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

Absence of policy support will hamper Internet and Data Services.

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

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

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

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

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

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

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

Emergence of Enterprise Software Suites, Artificial Intelligence, Robotics and Machine Learning may hamper the growth of our e-Learning stream.

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

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

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

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

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

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

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

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

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

Our technical know-how is not protected by intellectual property rights such as patents, and is principally protected by maintaining its confidentiality. We rely on trade secrets, confidentiality agreements and other contractual

arrangements. As a result, we cannot be certain that our know-how will remain confidential in the long run. Employment contracts with certain of our employees who have special technical knowledge about our products or our business contain a general obligation to keep all such knowledge confidential. In addition to the confidentiality provisions, these employment agreements typically contain non-competition clauses.

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

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

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

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

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

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

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

- Such projects may be subject to a higher risk of reduction in scope or termination than other contracts due to political and economic factors such as changes in Government, pending elections or the reduction in, or absence of, adequate funding;
- Terms and conditions of Government contracts tend to be more onerous than other contracts and may include, among other things, extensive rights of audit, more punitive service level penalties and other restrictive covenants. Also, the terms of such contracts are often subject to change due to political and economic factors;
- All Government bids are subject to Bank Guarantee depending upon the size of the tender. Any shortfall in service, inability to deliver committed SLA during the project may force the Government to invoke the bank guarantee leading to huge cash losses;
- Government contracts are often subject to more extensive scrutiny and publicity than other contracts. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect our business or reputation;
- Participation in Government contracts could subject us to stricter regulatory requirements, which may increase our cost of compliance; and
- Such projects may involve multiple parties in the delivery of services and require greater project management efforts on our part. Any failure in this regard may adversely impact our performance.

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In addition, we operate within jurisdictions in which local business practices may be inconsistent with international regulatory requirements, including anti-corruption and anti-bribery regulations prescribed under the U.S. Foreign Corrupt Practices Act ("FCPA"), which, among other things, prohibits giving or offering to give anything of value with the intent to influence the awarding of Government contracts. Also, Prevention of Corruption (Amendment) Bill 2013, ("PCA") prohibits giving bribe to a public servant. Although we believe that we have adequate policies and enforcement mechanisms to ensure legal and regulatory compliance with the FCPA, PCA and other similar regulations, it is possible that some of our employees, subcontractors, agents or partners may violate any such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties. If we fail to comply with legal and regulatory requirements, our business and reputation may be harmed.

Any of the above factors could have a material and adverse effect on our business or our results of operations.

Our dividend payment policy is contingent upon the Company's profits each year.

Prior to 2013-14 we did not pay dividends due to the losses incurred in the previous years and non-availability of divisible profits under Indian law. In view of the consistent positive performance of the Company for the year 2017-18, the Board of Directors had recommended a 12% cash dividend to all the shareholders of the Company for the year ended March 31, 2018, which is subject to approval by the shareholders at the Annual General Meeting to be held on July 6, 2018.

Dividend payment is a function of profits, and the distribution of profits is based on home country laws and the financial statements prepared under the Indian Accounting Standards (Ind AS) as specified in Section 133 of the Companies Act 2013 read together with rule 4 of the Companies (Indian Accounting Standards) Rules 2015 and rule 4 of Companies (Indian Accounting Standards) Amendment Rules 2016 to the extent applicable, pronouncements of regulatory bodies applicable to the Company and other provisions of the Act. The Board of Directors, after assessing various factors including the future cash flow requirements of the Company, recommends a dividend payout to the shareholders for approval at the Annual General Meeting.

The dividend payment policy of the Company is not certain and is contingent upon the level of performance of the Company and the recommendation of the Board of Directors and the approval of the shareholders. Thus, there is no assurance that dividends will be paid in the future.

Risks Related to Regulation and Compliance

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

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

We may encounter legal confrontations under the Information Technology Act 2000 on our digital certification business.

We have been granted license as Certifying Authority (CAs) to issue digital signature certificate for electronic authentication of users. The CAs are governed by Controller of Certifying Authority (CCA) under the ITA which prescribes duties to be followed, standards to be maintained and a list of documents to be maintained by Certifying Authorities. The guidelines also require the company to bill the end customer to whom the Digital Signature

Certificate (DSC) is sold effective from 1st of August 2017. System development changes have been made by the company to support the billing to the end customers. Any actual or perceived failure to comply with such obligations could harm our business. Non Compliance with such laws, rules and regulations may result in fines and litigation or cause us to incur legal costs, which may adversely affect our business and results of operations.

We may encounter litigation and penalties due to non-compliance with relevant laws applicable to the products sold and services rendered by us.

The products and services that we deal with are subject to various laws such as the ITA. We are exposed to risks relating to non-compliance with such laws which may affect our reputation and also result in litigations and penalties which may adversely affect our business and results of operations.

We may not be able to comply with direct & indirect tax laws resulting in litigations and penalties.

Tightening of regulatory framework, new legislative changes and heightened enforcement activity by the tax departments across the world has brought the importance of tax risk on the radar of the corporates in India. From a business standpoint, income tax remains the most important tax for companies because of its impact on corporate bottom-line. Unpredictable rulings & interpretations of tax authorities are the key reasons leading to tax risks. In India, changes in taxation laws are announced on an annual basis in February, when the Union Budget is presented. These changes in law may affect the accuracy of our estimated tax obligations, or the obligations of holders of our equity shares and ADSs. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. We are regularly under audit by tax authorities and those authorities may not agree with positions taken by us on our tax returns. Although we believe that our estimates are reasonable, there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. We are also exposed to risks of non-compliance with the requirement of law which may affect our reputation and also result in litigations and penalties which may adversely affect our business and results of operations.

Any of the above could have a material adverse effect on our business and future results. Additionally, due to the complexity of the fiscal environment, the ultimate resolution of any tax matters may result in payments greater or lesser than amounts accrued.

The Government of India, through Finance Act, 2016, has introduced a tax on dividends accrued to non-corporate resident investors in excess of 1 million per annum at the rate of 10% (plus applicable surcharge and education cess). This is in addition to a dividend distribution tax payable by us at the rate of 20.358%. If the effective rate of dividend distribution tax increases or new forms of taxes on distribution of profits is introduced, the dividend amount receivable by our shareholders after taxes may decrease. If the Government of India modifies dividend distribution tax rates or introduces new forms of taxes on distribution of profits or changes the basis of application of these taxes, the same could materially affect the returns to our shareholders.

Furthermore, the Government of India has rolled out Goods and Service Tax (GST) effective from 1st July 2017. GST has subsumed several central, state and local tax laws such as excise duty, service tax, value added tax, central sales tax, entry tax, etc. The GST law prescribes compliance and procedures which are more comprehensive than prior tax laws. The GST Council is planning to implement a new process which allows credit based on the invoices uploaded by the vendors in their tax returns. Hence, tax credits will be available to the company based on proper compliance by all the vendors and filing of returns on time. Any failure to comply with the requirement of law by the vendor will impact availment of input tax credit by the company. We are also exposed to risks of non-compliance with the requirement of law which may affect our reputation and also result in litigations and penalties which may adversely affect our business and results of operations.

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

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

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

We could be subject to intellectual property infringement claims as the number of our competitors grows and the content and functionality of our websites or other service offerings overlap with competitive offerings. Our defenses against these claims, even if not meritorious, could be expensive and divert management’s attention from operating our

Company. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial award as damage and forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. We may be unable to develop non-infringing technology or even obtain a license on commercially reasonable terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the ADSs and Our Trading Market

We may fail to meet the continued listing requirements of the NASDAQ, which could cause our ADS to be delisted.

Pursuant to the listing requirements of the NASDAQ, if a company's share price is below $1.00 per share for 30 consecutive trading days, NASDAQ will notify the company that it is no longer in compliance with the NASDAQ continued listing qualifications. If a company is not in compliance with the minimum bid price rule, the company will have 180 calendar days to regain compliance. If the company does not regain the compliance within the initial 180 days, the company may be eligible for an additional 180 day period as set forth in NASDAQ listing rule 5810(c)(3)(A). The company may regain compliance if the bid price of its shares closes at $1.00 per share or more for a minimum of ten consecutive business days at any time during the cure period.

On December 27, 2016, the Company received notice from NASDAQ that the minimum bid price for our ADS was below $1.00 per ADS for a period of 30 consecutive business days, and that we therefore did not meet the minimum bid price requirement of the NASDAQ Listing Rule. Based on the Company's application, on July 11, 2017, NASDAQ approved the transfer of the Company's ADS to the NASDAQ Capital Market under the same symbol "SIFY" and granted additional 180 days calendar period to cure the minimum bid price deficiency.

On September 28, 2017, the Company received a letter from NASDAQ stating that the closing bid price of the Company's ADS had been $1 or greater for 10 consecutive trading days. Accordingly, the Company regained compliance with the Listing Rule 5550(a)(2).

Though the Company regained compliance with the NASDAQ continued listing requirements during the previous year, we may not be able to meet the continued listing requirements of NASDAQ in the future. If we are unable to satisfy the NASDAQ criteria for maintaining our listing, our securities could be subject to delisting. As a consequence of any such delisting, our ADS holders would likely find it more difficult to dispose of or to obtain accurate quotations as to the prices of our securities, and there would likely be less liquidity in our stock. In the event of a delisting, we could face significant material adverse consequences including a limited availability of market quotations for our securities and a decreased ability to issue additional securities or obtain additional financing in the future.

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

Effective as of October 30, 2010, upon the consummation of the private placement to an entity controlled by Mr Raju Vegesna, our , CEO, Managing Director and Chairman of the Board of Directors of the company, Mr Raju Vegesna beneficially owns approximately 86.22% of our outstanding equity shares. As a result, Mr Raju Vegesna will be able to exercise control over many matters requiring approval by our Board of Directors and / or shareholders, including the election of directors and approval of significant corporate transactions, such as a sale of our company. Under Indian law, a simple majority is sufficient to control all shareholder action except for those items, which require approval by a special resolution. If a special resolution is required, the number of votes cast in favour of the resolution must not be less than three times the number of votes cast against it. Examples of actions that require a special resolution include:

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

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

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

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

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

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

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

Under Indian law, subject to the presence in person at a shareholder meeting of persons holding equity shares representing a quorum, all resolutions proposed to be approved at that meeting are voted on by a show of hands unless

shareholders present in person and holding (a) not less than one-tenth of the total voting power entitled to vote on a resolution or (b) shares with an aggregate paid up capital of at least 500,000 demand that a poll be taken. Equity shares not represented in person at the meeting, including equity shares underlying ADSs for which a holder has provided voting instructions to the Depository, are not counted in a vote by show of hands. As a result, only in the event that a shareholder present at the meeting demands that a poll be taken will the votes of ADS holders be counted. Securities for which no voting instructions have been received will not be voted on a poll. Accordingly, you may not be able to participate in all offerings, transactions or votes that are made available to holders of our equity shares.

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

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

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

- the competitive and pricing environment for network services in India and the related cost and availability of bandwidth;
- the perceived attractiveness of investment in Indian companies;
- acquisitions and alliances by us or others in the industry;
- changes in estimates of our performance or recommendations by financial analysts;
- market conditions in the industry and the economy as a whole;
- introduction of new services by us or our competitors;
- changes in the market valuations of other Internet service companies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- our failure to integrate successfully our operations with those of any acquired companies;
- additions or departures of key personnel; and
- other events or factors, many of which are beyond our control.

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Investments in Indian Companies

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is highly regulated as per extant telecom policy of the Government of India (the "GOI"). Our ISP license issued in the year 1998 was valid for a term of 15 years. We have been issued new licenses under the Unified License dated June 2, 2014 with a validity of 20 years. If we are unable to renew the licenses for any reason, we will not be able to carry on the said business beyond license term, which may adversely affect our business or results of operations

The GOI has right to revoke, terminate or suspend or take over entire operations for reasons such as national security or similar reasons without compensation to us. In view of increasing cyber threats and attacks, the GOI may require telecom licensees (including ISPs) at their costs to provide monitoring facility across its network, and facilities for capture and retention of data in terms of traffic flow, usage details, etc. This would result in significant increase in costs and possible lesser usage due to perceived invasion of privacy by customers.

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

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

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

Under such amendment, all services under the NLD/ILD license have been subjected to an increased license fee from the existing 6% to 7% from July 2012 to March 2013 and 8% from April 2013 onwards. In addition, the Government has also amended the ISP license and brought the same under such license fee of 7% from July 2012 till March 2013 and 8% from April 2013 onwards. Our present license for Unified License ISP issued on June 2, 2014 provides for payment of License fee on pure
Internet services also. The Company had approached Honourable High Court of Madras (Court) by filing a writ petition prohibiting Department of Telecommunications (DOT) from levying license fee on non-licensed activities.

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

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

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

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

The statutory corporate income tax rate in India was 30% during fiscal year 2018 and was subject to a 12% surcharge where the taxable total income exceeds 10 crore (7% where the taxable total income is less than 10 crores but greater than 1 crore), 2% education cess and 1% secondary and higher education cess, resulting in an effective tax rate of 34.61%. However for fiscal year 2019 the Government has proposed to replace the existing 3 per cent education cess with a 4 per cent 'Health and Education Cess' resulting in effective tax rate of 34.94%.

We cannot assure you that the surcharge will be in effect for a limited period of time or that additional surcharges will not be implemented by the Government of India. We may be subject to tax claims by the Government of India against us in the future. Defending these claims would be expensive, time consuming and may divert our management's attention and resources from our operations.

Goods and Services Tax has replaced the majority of the existing indirect tax regulations in India. The point of taxation has been changed and also rates for our services were increased from 15% to 18%. Consequently the incremental costs will impact the profitability and cash flow of the company. There may be future increases in tax rate that will impact our profitability and cash flows adversely.

Item 4. Information on the Company

History and Development

We were incorporated on December 12, 1995 in Andhra Pradesh, India as Satyam Infoway Private Limited, a Company under the Indian Companies Act, 1956 to develop and offer connectivity-based corporate services in India. Until December 2002, we were a majority-owned subsidiary of Satyam Computer Services Limited, an Indian information technology Services Company traded on the New York Stock Exchange and the principal Indian Stock Exchanges. We changed our name from Satyam Infoway Limited to Sify Limited in January 2003 and from Sify Limited to Sify Technologies Limited in October 2007. We completed our initial public offering of ADSs in the United States in October 1999. We listed our ADS on the NASDAQ Global Market on October 19, 1999. In February 2000, we completed our secondary offering of ADS in the United States.

Sify Technologies (Singapore) Pte. Ltd, Sify Technologies North America Corporation, Sify Data and Managed Services Limited and Sify Infinit Spaces Limited are our wholly owned subsidiaries.

The address of our principal executive office is TIDEL Park, 2nd Floor, 4, Rajiv Gandhi Salai, Taramani, Chennai 600 113 India, and our telephone number is 91-44-2254-0770. Our agent for Investors Relations in the United States is Grayling Global, 101 Avenue of the Americas, 14th Floor, NY 10013, United States, phone +1-646-284-9400. Our website address is www.sifytechnologies.com and the information contained in our website does not constitute a part of this Annual Report.

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

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

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

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

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

From the time we launched our corporate services in 1997, we have continually upgraded our technology to provide data services to corporate clients. We were the first Internet service provider in India to make our entire network IP-based and subsequently Multi-Protocol Label Switching (MPLS)-enabled, which permitted us to continue to grow our corporate customer base. As of March 31, 2018, we provide services to over 8,500 corporate clients in industries ranging from information technology, manufacturing, banking and financial services industry, pharmaceuticals, retail distribution and the Government.

Initial Public Offering and Subsequent Financing Transactions

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

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

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

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

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

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

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

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

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement to Raju Vegesna Infotech and Industries Private Limited, our promoter group, and an entity affiliated with our CEO, Managing Director and Chairman, Mr Raju Vegesna. See note 37 in the notes to the financial statements in this Annual Report.

Acquisition of Minority Interest in Subsidiary

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

In October 2008, the Company again evaluated the feasibility of a merger between Sify and Sify Comm and the Board of Directors of the Company at their meeting held on November 24, 2008 approved the merger of Sify Comm with retrospective effect from April 1, 2008, subject to approval by the Shareholders, the Honourable High Court and other statutory authorities. The Board considered the deterioration of the Indian and global economy, and its effect on the Company's performance during the first half of fiscal 2009 as well as the impact of a prolonged economic downturn on the Company during the third and fourth 2009 fiscal quarters. The Board evaluated these issues and determined that a combined entity would provide cost savings and increased cash flow, and strengthen the Company's ability to borrow additional funds, if necessary. Accordingly, the Board of Sify determined that the merger should again proceed and sought shareholder approval, and submitted the merger to the High Court of Madras for approval. The Honourable High Court approved the merger on 26th June, 2009. In connection with such merger the Company has issued 10.53 million equity shares to Infinity Satcom Universal Private Limited, a 26% stake holder in the erstwhile Sify Communications Limited prior to merger.

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

Principal Capital Expenditures

In fiscal years 2018, 2017 and 2016, we spent 1,475 million (US$ 22.67 million), 1,940 million (US$ 29.92 million) and 2,811 million (US$ 43.35 million) respectively, on capital expenditures of which 0.31 million (US$ 0.004 million), 1 million (US$ 0.02 million) and 4 million (US$ 0.06 million) were incurred in North America in fiscal years 2018, 2017 and 2016 respectively. 2.19 million (US$ 0.34 million) were incurred in Singapore in fiscal years 2018. The remaining amounts were incurred in India. As of March 31, 2018, we had contractual commitments of approximately 1,033 million (US $15.88 million) for capital expenditures towards the acquisition of property, plant and equipment. These commitments included approximately 784 million (US $ 12.06 million) in domestic purchases and 248 million (US $ 3.82 million) in imports and overseas commitments for products and spares. The total capital expenditure with respect to capital work in progress as on March 31, 2018 amounted to 1,228 million (US$ 18.88 million). All our capital expenditures were financed out of cash generated from operations, equity infusion, finance leases and borrowings from banks.

Investment Strategy

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

Sify Software Limited (formerly Sify Networks Private Limited)

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

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

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

Globe Travels, USA.

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

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

India World Communication Limited

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

Sify Technologies (Singapore) Pte Ltd

Sify Technologies (Singapore) Pte Ltd incorporated in Singapore as a wholly owned subsidiary of Sify Technologies Limited to pursue the business of Information Technology Enabled Services, Sourcing and Selling of Networking Equipment and IT Software and Software Consultancy Services. During fiscal 2016 further investment of US $ 500,000 was made in the equity shares of subsidiary.

Sify International Inc

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

Hermit Projects Private Limited and Pace Info Com Park Private Limited

In November 2011, we acquired Hermit Projects Private Limited (HERMIT) for the implementation of a state-of-art Data Center Project at Noida, U.P, along with its wholly owned subsidiary Pace Info Com Park Private Limited (PACE), the original allottee of the land at Noida, U.P. for a consideration of 1,140 million. As HERMIT was acquired only as a Special Purpose Vehicle for acquiring PACE, HERMIT merged with Sify Technologies Limited, the holding Company effective April 1, 2013.

Effective April 1, 2014, PACE was merged with the holding company, Sify Technologies Limited. We are in the process of obtaining the requisite approval for incorporating the name change from PACE to Sify in the statutory

records maintained by the Government with respect to land located at Noida.

Sify Empower India Foundation

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

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

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

Sify Technologies North America Corporation

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

Sify Data and Managed Services Limited

Sify Data and Managed Services Limited was Incorporated on March 16, 2017 as a wholly owned subsidiary of Sify Technologies Limited, to carry on Data Center centric IT service business. During the year 2017, the Company has invested 250 million in the Subsidiary.

Sify Infinit Spaces Limited

Sify Infinit Spaces Limited was incorporated on November 20, 2017 as a wholly owned subsidiary company of Sify Technologies Limited, to carry on Data Center centric IT service business. During the fiscal year 2018, the Company has invested 50 million in the subsidiary.

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Business Overview

We are among the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common telecom data network infrastructure reaching more than 1550 cities and towns in India. This telecom network also connects 45 Data Centers across India including Sify's 6 concurrently maintainable Data Centers across the cities of Chennai, Mumbai, Delhi and Bengaluru and customer Data Centers.

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

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

a) Telecom-centric services

(i) Telecom Services

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

Forecasting the explosive growth that the telecom market will see, we were the first in the country to offer an IPv6 ready network; a fact underscored by the Telecom policy of 2012. This network reaches more than 1550 towns and cities and gives a prospect of more than 3000 points of presence.

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

§ **India Data Business** – Addressing the Data Communication needs of Large and Emerging Enterprises in India across each of their distributed points of business. We do this by leveraging our network span across 1550 towns and cities.

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

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

§ **Retail Voice** – The company offers services in the retail voice market in partnership with International players.

b) Data Center-centric IT services

(i) Data Center services

We are among the earliest to invest in the Data Center landscape in the country with our first Data Center in Vashi, Mumbai in the year 2000. Even in the early days of the IT revolutions, we set very high benchmarks with each of our subsequent Data Center. We currently have 6 concurrently maintainable Data Centers across various geographical locations in India. This business offers services such as co-location, regular backup, server load balancing, remote backup; Managed Services like Messaging, shared Hosting, network and security; Storage and Virtualization and Managed Voice services to all resident Enterprises.

(ii) Cloud and Managed services

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

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

(iii) Technology Integration services

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

TIS leverages Sify's home-grown expertise in design, implementation and maintenance to deliver end- to-end managed IT services across Data Centers, network and security.

Major focus is as follows:

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

- WAN Architectures

- Enterprise and End Point Security

(iv) Applications Integration services

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

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

Industry Overview

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

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

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

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

Sify Business Model

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

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

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

In Sify 3.0, we have restructured our business segments into 5 distinct lines of business in two broad categories,

1) Telecom centric services
2) Data Center centric IT services

Telecom centric services

a) Telecom Services.

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

We do this by leveraging our state-of-the art last mile wireless connectivity and the dense spread of network. Enterprise customers who seek to utilise the network have the choice of being connected to the DC of their choice or any one of our concurrently maintainable Data Centers. Today, this multi-mode, multi-mesh network connects 45 of India's DCs

Our network, reaches 1550 cities and towns with more than 3000 Points of Presence and 100,000+ links, thus making us the largest MPLS network in India.

Data Center centric IT services

a) Data Center services.

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

These DCs also offer a multitude of Value Added services over the traditional notion of basic collocation and Opex driven storage solutions. With approximately 0.2 million square feet coverage today including the new Data Centers, we are among the largest to offer Data Center space in the market.

b) Cloud and Managed services

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

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

c) Technology Integration services

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

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

d) Applications Integration services

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

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

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

Strategy

Our vision statement is explicit on our strategy.

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

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

• *Cover more of the country with our network, increase the bandwidth support and drive more customer usage.* Our network is based on Internet Protocol, or IP, and we are the first Indian service provider to have made our network Multi-Protocol Label Switching (MPLS) compliant. We are also the first IPv6 ready network having laid it down as early as 2000. In the fiscal year 2013-14, we implemented the proprietary CloudCover to connect Data Centers across India with a multi-mode, multi-mesh network. This builds redundancy at multiple levels across the network. This network connects 45 of India’s Data Centers including 6 of our own. To ensure undisrupted high quality service and to achieve cost efficiencies, we have invested in an undersea cable consortium. The capacity went live during the Q1 of 2012-13. We have further increased the capacity during the fiscal 2016. We have also leased intercity links from multiple suppliers including BSNL, Bharti Airtel, TATA, Railtel and Power Grid Corporation, such that each one of our nodes is accessible from at least two other nodes, if not by two long distance operators. We believe that as the size and capacity of our network infrastructure grows, its structure and national coverage will create economies of scale. Being vendor neutral, we are able to procure bandwidth in a cost effective manner.

• *Increase penetration in our existing markets by expanding awareness of the "Sify" brand name to capitalize on our first mover advantage in India.* Over time, Sify as a brand has expanded its offerings from the retail broadband segment to the Enterprise buyer in India. But as with every brand's birth, our first offerings gave us the identity as India's most aggressive Internet player. We built on those strengths and with time, have built a complete ecosystem of Enterprise offerings.

• *Create pull with newer more efficient technology and hence draw more customers into the Sify fold.* In order to transition to being an Enterprise player, we began by expanding our bouquet of services in line with market demand. A nascent retail broadband gave rise to data storage and hence our first Data Center was born at Vashi Mumbai in 2000. As a brand, we have consciously aligned with the best-of-breed technology and benchmarks. Our managed services bouquet has been a mix of home grown applications and offerings through tie ups with industry leaders like HP, VMware, Akamai, SAP etc.

• *Expand the bouquet of services and cater to an audience that does not mind paying a premium and hence realise better margins.* As competition heats up in the IT and Telecom sector, there will be a squeeze on our margins for the traditional offerings. Hence it is imperative to create a segment of premium paying customers who see value in the differential on their services. We will also continuously expand our service offerings and expand into a broader geographical domain. We actively spread to Tier II and III cities much before we had customers there. This helped us to demonstrate a robust working model of our services in geographically challenged places as and when the demand arose.

• *Expand our customer distribution channels through strategic alliances to take advantage of the sales and marketing capabilities of our strategic partners.* Each of our business delivers a certain level of legitimacy when aligned with the industry leaders. Most MNCs see this as a comfort factor and a reassurance of global standards that they have enjoyed. So, whether it is Telecom business aligning with international carriers, our DC business being the best of the global standards, our Managed services having tied up with leaders like HP, VMware, SAP, Hitachi etc or Applications Integration services or our content delivery assurance with Akamai under our Technology Integration services ambit, the assurance is the same; global standards, local deliverance. On the delivery front, this doubles our marketing strength while allowing for a cross selling of products and services to both the partner's audiences.

• *Pursue selective strategic investments, alliances and acquisitions to expand our customer base, increase utilization of our network and add new technologies to our service mix.* India's financial nerve center, Mumbai has long been a focus of our expansion plans given the concentration of Enterprise players. That, along with a stable administration and power supply, well developed suburbs, and a native market was responsible for us launching our 6th concurrently maintainable DC at Rabale, near Navi Mumbai. All along, we have invested ahead of the demand curve across all our services. That said, the focus has also been to add value by partnering with the best of breed technology companies. Towards that, our hosting services are now SAP certified giving us the much needed fillip to pitch it to discerning Enterprise customers. Content delivery for Enterprise customers was underlined with our partnership with the world leaders, Akamai. We will continue to pursue opportunities to grow both organically and

inorganically, in our endeavor to spread into newer geographies.

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

Service Offerings

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

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

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

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

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

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

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

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

- PartnerConnect(TM) is our remote access VPN offering, for providing secure and restricted dial-up access to business partners such as dealers, distributors and suppliers to the corporate extranet.
- CleanConnect(TM) which provides managed and secured internet connectivity to customers.

- Managed DDoS which offers protection from DDoS attack to corporate customers.
- Managed WLAN provides Managed Wi-Fi solutions offering connect devices to the network of the customer and the internet at customer locations.

Data Center Services. We operate 6 concurrently maintainable Data Centers of which three are located in Mumbai (Bombay), one each at Noida (UP), Chennai (Madras) and Bengaluru, which are designed to act as reliable, secure and scalable facilities to host mission-critical applications. We offer co-location services which allow customers to bring

in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent ‘secure cages’ at the hosting facility as per their application requirements. We also offer a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration.

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

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

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

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

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

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

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

Sify.com provides a gateway to the Internet by offering communication and search tools such as travel, online portfolio management and channels for personal finance, astrology, lifestyle, shopping, movies, sports and news. We have also launched mobile applications to offer the below-mentioned services on the mobile.

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

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

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

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

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

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

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

Corporate Customers

Our base of corporate customers spread across information technology enabled services (ITES), banking financial services and insurance (BFSI), publishing, retail, pharmaceuticals and manufacturing. The reorganization of our business has helped us expand our customer base to over 8,500 customers to date. This is not inclusive of customers who have brought piece-meal services from us. A good number of these customers have matured from our initial set of offerings like Network and Data Center services. With the launch of our cable landing station, we are able to cater to international carriers as well as domestic voice and data players. Our alliance with world leaders across our other services is giving us the opportunity to extend our services to customers of our alliance partners.

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

Customer Service and Technical Support

The implementation of the single UAN for all Enterprise customers across India has centralised all customer enquiries to one point, thus enabling us to pour resources and efforts into a single minded endeavor. We support both telephonic and email interactions from our clients and support for Enterprises services is 24x7.

Sales and Marketing

From a business standpoint, we have 5 different lines of business. But on the sales front, the entire team is trained to upsell and cross sell across the entire bandwidth of services. We believe this is essential and imperative given the space for bundling of our services. The 473 person Sales team caters to the demand of Enterprises and the growing SMB market.

Technology and Network Infrastructure

Geographic coverage: Our network today reaches more than 1550 towns and cities and between them have more than 100,000+ links. This network is completely owned giving us complete control on the technology, traffic and speed over them. These points of presence, or primary nodes, reside at the core of a larger Internet protocol network with a Star and meshed topology architecture thereby building in redundancy at every point and translating into minimum or no downtime for customers.

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

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

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

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

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

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

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

Data Center Infrastructure. We operate 6 concurrently maintainable Internet Data Centers, three in Mumbai, one each at Chennai, Bangalore and Noida (UP). We offer managed hosting, security and infrastructure managed services from these facilities. These Data Centers are completely integrated with our IP / MPLS network which provides seamless connectivity for our customers from their premise to their applications hosted in the Data Centers. The Data Centers conform to the standards to cater to the security consideration of our customer servers.

Competition

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

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

Intellectual Property

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

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

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

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

Government Regulation

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

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

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

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

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

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

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

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

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

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

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

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

In 2016, TRAI announced a new VNO (Virtual Network Operator) license as a part of the Unified License regime for bringing in more players in the market through resale model. The company applied and has been allotted this license for Chennai circle.

Organizational Structure

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

Property, Plants and Equipment

We own approximately 100,000 square feet corporate headquarters located in Chennai (Madras), India and an approximately 20,000 square feet regional office in Mumbai (Bombay). We have leased approximately 3,500 square feet network operations center in Chennai, a 27,000 square feet Data Center in Vashi, Mumbai, 95,250 square feet Data Center in Airoli, 46,600 square feet in Bangalore Data Center and 65,000 square feet Data Center in Rabale, Mumbai. In November 2011, we acquired 175,000 square feet of building space for construction of a Data Center space in Noida, UP on acquisition of Pace Info Com Park Private Limited, through Hermit Projects Private Limited, its holding company. Construction in the said Data Center was completed and went live during fiscal 2015. We have acquired over 200,000 square feet of building space for construction of a Data Center space in Rabale, Mumbai which is completed and became operational during fiscal 2016. We have also acquired another building measuring 83,450 square feet at Rabale, Mumbai for Expansion.

Our Chennai facility houses our central network servers as well as our network staff who monitors network traffic, service quality and equipment at all our points of presence, or POPs, to ensure a reliable Internet service. We have POPs in over 1,550 towns/cities across India. Most of our POPs are staffed 24-hours-a-day, seven-days-a-week. Our POPs average approximately 750 square feet at each location. We have backup power generators and software and hardware systems designed to prevent network downtime in the event of system failures. In the future, we may add additional facilities to supplement or add redundancy to our current network monitoring capability. Our property, plants and equipment are pledged towards obtaining loans / working capital facilities from banks.

The Company had entered into a contract with Emirates Integrated Telecom ("the Emirates") for the construction and supply of undersea cable capacity from the Europe India Gateway (EIG). The Capacity went live during fiscal 2013 and was upgraded during fiscal 2015, 2016 and 2018. This enables significant capacity on ground leading to ability to service larger customers.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

Operating Results

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

Liquidity and Capital Resources

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

Research and Development

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

Trend Information

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

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

(in million, except share data and where otherwise stated)

Overview

Sify is among the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common data network infrastructure reaching more than 1550 cities and towns in India. This telecom network today connects 45 client Data Centers across India, including Sify's own 6 concurrently maintainable Data Centers across the cities of Chennai, Mumbai, Delhi and Bengaluru.

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

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

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

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

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

Data Center Services: We operate 6 concurrently maintainable Data Centers of which three are located in Mumbai (Bombay) and one each at Noida (UP), Chennai (Madras) and Bengaluru, which are designed to act as reliable, secure and scalable facilities to host mission-critical applications. We offer co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even rent 'secure cages' at the hosting facility as per their application requirements. We also offer a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration.

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

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

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

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

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

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

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

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

We have been historically including the results of Digital Certification services under the Technology Integration Services segment. The Industry in which this product competes has witnessed newer competitions, business models resulting in dynamic market changes. In order to leverage the versatility and the organizational capability, the Chief Operations Decision Maker (CODM) has evaluated options of reorganizing this product into Applications Integration Services segment with effect from April 1, 2016. This will enable the product to address customers across segments, achieve better marketability, flexibility and scale. The corresponding revenue and costs of this product have been regrouped under the respective segments. Consequently, the figures for the years ended March 31, 2016 and March 31, 2015 are adjusted accordingly.

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

Revenues

Telecom Services

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

Data Center services

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

Cloud and Managed Services

Revenue from Cloud and Managed services, are primarily from “Cloud and on demand storage”, “Domestic managed services and “International managed services”. Contracts from Cloud and on demand storage, are primarily fixed and for a period of time. Revenues from Domestic and International managed services, comprises of value added services, operations and maintenance of projects and from remote infrastructure management. Contracts from this segment are fixed and could also be based on T&M.

Technology Integration Service (TIS)

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

Applications Integration Services

Revenue from Applications Integration Services (Apps SI) comprises of Online Assessment, Web development, supply chain solutions, content management, sale of Digital certificates and sale, implementation and maintenance of Industry Specific applications like SAP, Oracle and Microsoft. Contracts are primarily fixed in nature for a period of time and also could be based on T & M.

Expenses

Cost of goods sold and services rendered

Telecom Services

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

Data Center Services

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

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Cloud and Managed Services

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

Technology Integration Services

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

Applications Integration Services

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

Selling, general and administrative expenses

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

Depreciation and amortization

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

intangible assets with finite lives are amortised over three to five years.

Impairment

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

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

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

Inventories

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

Deferred tax

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

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

Stock compensation expense

A total of 25 million equity shares are reserved for issuance under our Associate Stock Option Plans (ASOPs). Our ASOP 2014 was adopted at the Eighteenth Annual General Meeting held on July 28, 2014. As of March 31, 2018, we had an aggregate outstanding of 5.18 million options under our ASOP with a weighted average exercise price equal to approximately 78.79 ($1.21) per equity share. Unamortized stock compensation expense as of March 31, 2018 on these options is 10.35 million ($ 0.16 million).

Results of Operations

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

	Fiscal		
	2018	2017	2016
	%	%	%
Revenues	100	100	100
Cost of goods sold and services rendered	(64.95)	(64.40)	(60.55)
Other income/(expense)	0.92	0.79	0.70
Selling, general and administrative expenses	(21.25)	(21.65)	(23.14)
Depreciation and amortization expenses	(8.48)	(9.54)	(10.63)
Profit from operating activities	6.24	5.20	6.38
Finance income	0.63	0.66	0.30
Finance expenses	(2.41)	(2.38)	(3.76)
Net finance income/(Loss)	(1.78)	(1.72)	(3.46)
Profit before tax	4.46	3.48	2.92
Income tax (expense)/ benefit	0.00	-	-
Net profit for the year	4.46	3.48	2.92

Results of year ended March 31, 2018 compared to year ended March 31, 2017

The growth in our revenues in fiscal 2018 from fiscal 2017 is given below:

	2017 – 18	2016 – 17	**Increase/ (decrease)**	% Change
Revenues	20,686	18,432	2,254	12 %

Year 2017-18 had a 12% growth with an increase in revenues of 2,254 million ($34.65 million) contributed largely by Applications Integration Services with a revenue growth of 1,192 million ($18.33 million), Technology Integration services with 757 million ($11.64 million), Data Center Services with 460 million ($7.07 million) and Cloud and Managed Services with 37 million ($0.57 million). The increase is offset by decrease in revenue from Telecom Services by 192 million ($2.95 million).

The revenue by operating segments is as follows:

	Revenue		Percentage of revenue		Growth %
	2017-18	2016-17	2017-18	2016-17	2017-18
Telecom Services	9,981	10,173	48 %	55 %	(2)%
Data Center Services	2,435	1,975	12 %	11 %	23 %
Cloud and Managed Services	957	920	5 %	5 %	4 %
Technology Integration Services	3,445	2,688	17 %	15 %	28 %
Applications Integration Services	3,868	2,676	18 %	14 %	45 %
Total	20,686	18,432	100 %	100 %	12 %

Revenue from Telecom Service reduced by 192 million ($2.95 million) primarily due to (i) an increase in revenue of 536 million ($8.22 million) from Connectivity Services, contributed by net increase in number of links by 8,269 with existing and new customer engagements, and (ii) the increase is offset by decrease in revenue of 728 million ($11.17 million) in Voice Services, which is on account of a decrease of` 1332 million ($20.47 million) from ILD business, contributed by volume decrease of 1673 million minutes and decrease of 6 million ($0.10 million) from VoIP services, partially offset by increase of 20 million ($0.31 million) from Voice Retail services and partially offset by an increase of 590 million ($9.09 million) from Hubbing services.

Revenue from Data Center Services increased by 460 million ($7.07 million) due to increase of new contracts and capacities sold.

Revenue from Cloud and Managed Services has increased by 37 million ($0.57 million), primarily on account of increase in revenue of 15 million ($0.23 million) from cloud based offerings on account of new customer engagements and this is offset by decrease in revenue of 33 million ($0.51 million) from Infrastructure Managed Services and increase in revenue of 55 million ($0.85 million) from Domestic Managed Services.

Revenue from Technology Integration Services increased by 757 million ($11.64 million), on account of increase in revenues from large network integration and security services.

Revenue from Applications Integration Services increased by 1,192 million ($18.33 million). The increase is attributable to increase in (i) Online Assessment services revenue by 843 million ($12.94 million) (ii) revenue by 316 million ($4.84 million) from SAP and App-led SI (iii) Digital certification business by 56 million ($0.87 million) (iv) Forum business revenue by 20 million ($0.31 million) and the above increase is offset by decrease in (v) eLearning services by 26 million ($0.39 million) (vi) Web Services business by 9 million ($0.14 million) (vii) Portals business by 8 million ($0.12 million) on account of decrease in customer engagements.

Other income

The change in other income is as follows:

	2017 -18	2016 -17	Increase/ (decrease)	% Change
Other income	190	146	44	30 %

The increase in other income is on account of reimbursement received from depository for ADR expenses reimbursement scheme 49 million ($0.76 million), rebate received from a vendor 12 million ($0.18 million), write back of provision for expenses no longer required 4 million ($0.06 million) and increase on account of sale of property plant & Equipment by 1 million ($0.02 million) the above increases was partially offset by decrease in net gain on forex exchange fluctuations amounting to 22 million ($0.34 million).

Cost of goods sold and services rendered (COGS)

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

	2017-18	2016-17	Increase/ (decrease)	% change
Telecom Services	6,303	6,632	(329)	(5)%
Data Center Services	1,223	1,030	193	19 %
Cloud and Managed Services	522	382	140	37 %
Technology Integration Services	2,563	2,088	475	23 %
Applications Integration Services	2,824	1,738	1,086	62 %
Total	13,435	11,870	1,565	13 %

The cost of goods sold has increased by 13% on overall basis and the movement in COGS by nature of expense is explained in detail below:

	2017-18	2016-17	Increase/ (decrease)	% change
Network Costs	4,950	5,419	(469)	(9)%

License fees (revenue share)	562	519	43	8	%
Cost of goods sold	3,132	2,067	1065	51	%
- Sale of products	1,331	1,225	106	9	%
- Integration services	1,801	842	959	114	%
Direct Resources costs	1,126	924	202	22	%
Power costs	1,153	984	169	17	%
Other direct costs	2,512	1,957	555	28	%
Total	13,435	11,870	1,565	13	%

Network costs comprises cost of Bandwidth leased out from TELCOS, Inter connect charges and IP termination costs payable to carriers. Decrease in Network costs of 469 million ($7.22 million) is due to (i) 241 million ($3.71 million) increase in Bandwidth costs incurred on account of capacity upgrades and newer links and (ii) decrease of 710 million ($10.93 million) of Inter connect charges due to the decrease in 1673 million minutes in the volume of International Long distance.

License fees (Revenue share) cost comprises revenue share payable to DOT on licensed services. Increase in revenue share is on account of increase of 43 million ($0.66 million) in the revenue share payable to DOT on account of increase in licensed Revenues.

Cost of Goods sold consists of cost of Hardware and Software and integration services. Cost of Hardware and Software sold increased by 1065 million ($16.36 million). The same being on account of increase in projects in Technology Integration business by 971 million ($14.93 million) and increase in cost related to one time sales by 94 million ($1.43 million)

Direct Resource costs comprises the cost of resources deployed on the Network Infrastructure Delivery (Part of Telecom service), and resources involved in delivery of applications integration services, cost of billable resources of e Learning (Part of Applications Integration services) and Infrastructure Managed services (Part of Cloud and Managed Services). Increase in resources costs of 202 million ($3.11 million) is primarily on account of increase of (i) 105 million ($1.62 million) increase in delivery telecom services, (ii) Applications Integration Services by 64 million ($0.98 million), (iii) Technology Integration Services by 18 million ($0.28 million), (iv) DC services increase by 10 million ($0.15 million) and (v) Managed Services Delivery (Part of Cloud and Managed services) increase by 5 million ($0.08 million) on account of increase in number of employees.

Power cost comprises of electricity charges incurred for our Data Center operations. Power cost increased by 169 million ($2.60 million) due to increase in occupancy of Rabale DC and also increase in consumption in existing Data Centers and increased power tariff.

Other direct cost, comprises Link implementation and maintenance charges pertaining to Telecom services, direct cost of Applications Integration services business containing Online Exams, digital certificate platform, content costs and subject matter experts for international businesses. The increase in other direct costs of 555 million ($8.53 million) is primarily on account of increase of (i) 413 million ($6.34 million) in applications integrations services on account of operating cost of online assessment due to new customer engagements with higher volumes (ii) 136 million ($2.09 million) on account of operating costs of cloud and managed services and. (iii) Increase of 2 million ($0.03 million) on account Content cost, (iv) Increase of 12 million ($0.18 million) on account of Data Center new contract executions, and the above increase is offset by a decrease of 8 million ($0.11 million) in link maintenance charges.

Selling, General and Administrative expenses

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

	2017-18	2016-17	Increase/ (decrease)	% change
Operating costs	1,000	980	20	2 %
Selling and Marketing Expenses	147	136	11	8 %
Associate Expenses	1,863	1549	314	20 %
Other Indirect expenses	1,001	940	61	6 %
Allowance for doubtful receivables/advances	384	386	(2)	(1)%
Total	4,395	3,991	404	10 %

Operating costs includes rental, repairs and maintenance charges of our network operating centers, base stations and other co-location sites including the rent and maintenance for our Data Centers. Operating costs increased by 20 million ($0.31 million) primarily on account of increase in repairs and maintenance and network operating cost.

Selling and Marketing expenses consist of, selling commission payable to sales partners, incentive to salesmen and, marketing and promotion costs. The Selling and Marketing expenses increased by 11 million ($0.17 million).

Associate expenses consist of cost of the employees who are part of the Sales and marketing, Business development, General management and support services. Associate expenses increased by 314 million ($4.82 million) between two periods due to increase in headcounts and regular Increments.

Other indirect expense consists of, rental and electricity cost of office, travel cost, legal charges, professional charges, communication and others. During the year Other Indirect costs have increased by 61 million ($0.94 million) primarily on account of office repair and maintenance expenses in various locations.

Allowance for doubtful receivables/advances consists of the charge on account of the provisions created during the year against doubtful receivables/advances. Allowance for doubtful receivables/advances decreased by 2 million ($0.03 million).

Depreciation and amortization

Depreciation and amortization is set forth in the table below:

	2017 -18	2016 -17	Increase/ (Decrease)	% Change
Depreciation and amortization	1,755	1,759	(4)	(0.23)%
As a percentage of carrying value	22.51%	24.49%		

The depreciation during the current year remained flat in comparison with the previous year.

Profit from operating activities

	2017 -18	2016-17	Increase/ (Decrease)	% Change
Operating profit	1291	958	333	34.77 %
As a percentage of revenue	6.24 %	5.20 %		

The operating profit as a percentage of revenue has increased due to percentage decrease in selling and distribution expenses and depreciation and amortization expense and this increase was partially offset by percentage increase in cost of goods sold and services rendered as explained above.

Finance income/expense

	2017 -18	2016 -17	Increase/ (Decrease)	% Change
Finance income	129	123	6	5 %
Finance expense	(497)	(437)	60	14 %
Net finance income/expense	(368)	(314)	54	17 %

Finance income: The finance income primarily consists of interest received from bank deposits of 25 million ($0.39 million), and interest income on other deposits of 104 million ($1.60 million). The interest received from bank decreased by 1 million ($0.02 million) from last year, and interest income on other deposits increased by 8 million ($0.12 million) on account of interest on income tax refund received during current year amounting to 92 million ($ 1.41 million).

Finance expense: The finance expense primarily consists of 31 million ($0.48 million) of interest expense on leases, 373 million ($5.73 million) of interest paid on borrowings and 93 million ($1.42 million) of other borrowing costs paid in respect of utilization of non-fund facilities from the banks and other processing charges.

The increase in finance expense is on account of increase in borrowings taken mainly to fund upcoming Data Centers in Chennai and Hyderabad and other working capital arrangements.

Net Profit

	2017-18	2016-17	Increase/ (Decrease)	% Change
Net Profit	923	642	281	44 %
As a percentage of revenue	4.46 %	3.48 %		

The increase in the net profit during the year 2017-18 is mainly attributable to increase in operating margins.

Results of year ended March 31, 2017 compared to year ended March 31, 2016

Revenues

The growth in our revenues in fiscal 2017 from fiscal 2016 is given below:

	2016 – 17	2015 – 16	Increase/ (decrease)	% Change
Revenues	18,432	15,035	3,397	23 %

Year 2016-17 had a 23% growth with an increase in revenues of 3,397 million ($52.39 million) contributed largely by Applications Integration Services with a revenue growth of 1,360 million ($20.97 million), Technology Integration services with 982 million ($15.14 million), Telecom Services with 624 million ($9.62 million) and Data Center Services with 452 million ($6.97 million). The increase is offset by decrease in revenue from Cloud and Managed Services by 21 million ($0.32 million).

The revenue by operating segments is as follows:

	Revenue		Percentage of revenue		Growth %
	2016-17	**2015-16**	**2016-17**	**2015-16**	
Telecom Services	10,173	9,549	55 %	64 %	
Data Center Services	1,975	1,523	11 %	10 %	
Cloud and Managed Services	920	941	5 %	6 %	
Technology Integration Services	2,688	1,706	15 %	11 %	
Applications Integration Services	2,676	1,316	14 %	9 %	
Total	18,432	15,035	100 %	100 %	23 %

Revenue from Telecom Service increased by 624 million ($9.62 million) primarily due to (i) an increase in revenue of 758 million ($11.69 million) from Connectivity Services, contributed by net increase in number of links by 7,180 with existing and new customer engagements, and (ii) the increase is offset by decrease in revenue of 134 million ($2.07 million) in Voice Services, which is on account of a decrease of` 343 million ($5.29 million) from ILD business, contributed by volume decrease of 491 million minutes and decrease of 24 million ($0.37 million) from VoIP services, partially offset by increase of 233 million ($3.59 million) from Voice Retail services.

Revenue from Data Center Services increased by 452 million ($6.97 million) due to increase of new contracts and capacities sold.

Revenue from Cloud and Managed Services is decreased by 21 million ($0.32 million), primarily on account of decrease in revenue of 72 million ($1.11 million) from Infrastructure Managed Services and this decrease is offset by increase in revenue of 51 million ($0.79 million) from cloud based offerings on account of new customer engagements.

Revenue from Technology Integration Services is increased by 982 million ($15.14 million), on account of increase in revenues from large network integration and security services.

Revenue from Applications Integration Services is increased by 1,360 million ($20.97 million). The increase is attributable to increase in (i) Online Assessment services revenue by 1,515 million ($23.37 million) and the above increase is offset by decrease in (ii) revenue by 47 million ($0.72 million) from Industry standard application services (iii) eLearning services by 82 million ($1.27 million) (iv) Digital certification business by 5 million ($0.08 million) (v) Portals business by 21 million ($0.32 million) on account of decrease in customer engagements.

Other income

The change in other income is as follows:

	2016 -17	2015 -16	Increase/ (decrease)	% Change	
Other income	146	104	42	40	%

The increase in other income is on account of increase in rental income by 51 million ($0.79 million), net gain on forex exchange fluctuations amounting to 29 million ($0.45 million). The increase is offset by decrease in provision for expenses and doubtful debts written back by 41 million ($0.63 million) compared to previous year.

Cost of goods sold and services rendered (COGS)

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

	2016-17	2015-16	Increase/ (decrease)	% change	
Telecom Services	6,632	6,031	601	10	%
Data Center Services	1,030	817	213	26	%
Cloud and Managed Services	382	341	41	12	%
Technology Integration Services	2,088	1,201	887	74	%
Applications Integration Services	1,738	714	1,024	143	%
Total	11,870	9,104	2,766	30	%

The cost of goods sold has increased by 30% on overall basis and the movement in COGS by nature of expense is explained in detail below:

	2016-17	2015-16	Increase/ (decrease)	% change	
Network Costs	5,419	5,165	254	5	%
License fees (revenue share)	519	463	56	12	%
Cost of goods sold	2,067	1,271	796	63	%
- Sale of products	1,225	815	410	50	%
- Integration services	842	456	386	85	%
Direct Resources costs	924	862	62	7	%
Power costs	984	775	209	27	%
Other direct costs	1,957	568	1,389	245	%
Total	11,870	9,104	2,766	30	%

Network costs comprises cost of Bandwidth leased out from TELCOS, Inter connect charges and IP termination costs payable to carriers. Increase in Network costs of 254 million ($3.92 million) is due to (i) 398 million ($6.14 million) increase in Bandwidth costs incurred on account of capacity upgrades and newer links and (ii) decrease of 144 million ($2.22 million) of Inter connect charges due to the decrease in 491 million minutes in the volume of International Long distance.

License fees (Revenue share) cost comprises revenue share payable to DOT on licensed services. Increase in revenue share is on account of increase of 56 million ($0.86 million) in the revenue share payable to DOT on account of increase in licensed Revenues.

Cost of Goods sold consists of cost of Hardware and Software and integration services. Cost of Hardware and Software sold increased by 796 million ($12.28 million). The same being on account of increase in projects in Technology Integration business by 876 million ($13.51 million) which is partially offset by decrease in cost related to one time sales by 80 million ($1.23 million)

Direct Resource costs comprises the cost of resources deployed on the Network Infrastructure Delivery (Part of Telecom service), and resources involved in delivery of applications integration services, cost of billable resources of e Learning (Part of Applications Integration services) and Infrastructure Managed services (Part of Cloud and Managed Services). Increase in resources costs of 62 million ($0.96 million) is primarily on account of increase of (i) 109 million ($1.68 million) increase in delivery telecom services, (ii) Applications Integration Services by 7 million ($0.11 million), (iii) Technology Integration Services by 10 million ($0.15 million) and (iv) DC services increase by 1 million ($0.02 million) on account of increase in number of employees. (v) The above increase is partially offset by decrease of 63 million ($0.97 million) in resource cost of Managed Services Delivery (Part of Cloud and Managed services) due to decrease in number of employees in Infrastructure managed services due to customer churn.

Power cost comprises of electricity charges incurred for our Data Center operations. Power cost increased by 209 million ($3.22 million) due to increase in occupancy of Rabale DC and also increase in consumption in existing Data Centers and increased power tariff.

Other direct cost, comprises Link implementation and maintenance charges pertaining to Telecom services, direct cost of Applications Integration services business containing Online Exams, digital certificate platform, content costs and subject matter experts for international businesses. The increase in other direct costs of 1,389 million ($21.42 million) is primarily on account of increase of (i) 1,071 million ($16.51 million) in applications integrations services on account of operating cost of online assessment due to new customer engagements with higher volumes (ii) 105 million ($1.62 million) on account of operating costs of cloud and managed services and. (iii) Increase of 182 million ($2.81 million) on account of link maintenance charges, (iii) Increase of 7 million ($0.10 million) on account of Data Center new contract executions.

Selling, General and Administrative expenses

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

	2016-17	2015-16	Increase/ (decrease)	% change
Operating costs	980	861	119	14 %
Selling and Marketing Expenses	136	136	-	-%
Associate Expenses	1549	1,308	241	18 %
Other Indirect expenses	940	986	(46)	-5 %
Allowance for doubtful receivables/advances	386	182	204	112 %
Net Forex Loss	-	6	(6)	-100 %
Total	3,991	3,479	512	15 %

Operating costs includes rental, repairs and maintenance charges of our network operating centers, base stations and other co-location sites including the rent and maintenance for our Data Centers. Operating costs increased by 119 million ($1.84 million) primarily on account of increase in repairs and maintenance and network operating cost.

Selling and Marketing expenses consist of, selling commission payable to sales partners, incentive to salesmen and, marketing and promotion costs. The Selling and Marketing expenses were flat when compared to previous year.

Associate expenses consist of cost of the employees who are part of the Sales and marketing, Business development, General management and support services. Associate expenses increased by 241 million ($3.72 million) between two periods due to increase in headcounts and regular Increments.

Other indirect expense consists of, rental and electricity cost of office, travel cost, legal charges, professional charges, communication and others. During the year Other Indirect costs have decreased by 46 million ($0.71 million)

Allowance for doubtful receivables/advances consists of the charge on account of the provisions created during the year against doubtful receivables/advances. Allowance for doubtful receivables/advances increased by 204 million ($3.15 million) between two periods.

Depreciation and amortization

Depreciation and amortization is set forth in the table below:

	2016 -17	**2015 -16**	**Increase/ (Decrease)**	**% Change**
Depreciation and amortization	1,759	1,598	161	10 %
As a percentage of carrying value	24.49 %	23.04 %		

As the business is continuing to expand, the amount of depreciation is increasing on account of constructing and deploying new facilities by the Company. Increase in depreciation is primarily on account of expansion of existing Data Center at Rabale, during fiscal 2017.

Profit from operating activities

	2016 -17	2015 -16	Increase/ (Decrease)	% Change
Operating profit	958	959	(1)	-0.1 %
As a percentage of revenue	5.20 %	6.38 %		

The operating profit as a percentage of revenue has decreased due to percentage increase in cost of goods sold partially offset by percentage decrease in selling and distribution expenses and depreciation and amortization expense as explained above.

Finance income/expense

	2016 -17	2015 -16	Increase/ (Decrease)	% Change
Finance income	123	45	78	173 %
Finance expense	(437)	(565)	(128)	-23 %
Net finance income/expense	(314)	(520)	(206)	-40 %

Finance income: The finance income primarily consists of interest received from bank deposits of 27 million ($0.42 million), and interest income on other deposits of 96 million ($1.48 million). The interest received from bank decreased by 2 million ($0.03 million) from last year, and interest income on other deposits increased by 78 million ($1.22 million) on account of interest on income tax refund received during current year amounting to 82 million ($ 1.26 million).

Finance expense: The finance expense primarily consists of 88 million ($1.36 million) of interest expense on leases, 255 million ($3.93 million) of interest paid on borrowings and 94 million ($1.45 million) of other borrowing costs paid in respect of utilization of non-fund facilities from the banks and other processing charges.

The decrease in finance expense is on account of the fact that during previous year exchange loss amounting to 66 million ($1.02 million) on foreign currency loans was classified as interest costs. During current year there is net exchange gain on foreign currency loans. Also, during previous year an amount of 17 million ($0.26 million) was recognized as finance expense arising on account of loss on cross currency and interest rate swap transactions. During current year there is net gain on such transactions amounting to 4 million ($0.06 million). Further, decrease in finance expenses being on account of reduction in interest rates and repayment of loans and leases during current year.

Net Profit

	2016-17	2015-16	Increase/ (Decrease)	% Change
Net Profit	642	438	204	47 %
As a percentage of revenue	3.48 %	2.92 %		

The increase in the net profit during the year 2016-17 is mainly attributable to reduction in net finance costs as explained above.

Foreign Exchange Fluctuations and Forwards

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

Liquidity and capital resources

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

The following table summarises our cash flows for periods presented:

	2018 **In million**	2017 **In million**	2016 **In million**	2018 **US $ in million**
Net cash from / (used in) operating activities	2,121	1,748	2,442	33
Net cash from / (used in) investing activities	(1,794)	(1,610)	(1,566)	(28)
Net cash from / (used in) financing activities	(1,048)	(257)	(580)	(16)
Effect of exchange rate changes on cash and cash equivalents	(5)	(4)	(1)	(0)
Net increase / (decrease) in cash and cash equivalents	(722)	(119)	296	(11)

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As of March 31, 2018, 2017 and 2016 we had working capital of 1,851 million, 701 million, 1,047 million which includes cash and cash equivalents of 167 million, 893 million and 1,016 million. Our working capital net of cash and cash equivalents is 1,684 million, 192 million (negative) and 31 million as of March 31, 2018, 2017 and 2016. We believe that cash from operations, existing lines of credit and capital availability from promotor group, we have sufficient resources to meet our liquidity requirements.

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

On October 22 2010, the company entered into a subscription agreement with Mr Ananda Raju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the offering. Pursuant to the terms of this subscription agreement, the company issued and allotted 125,000,000 equity shares to an entity affiliated and controlled by Mr. Raju Vegesna, our CEO, Chairman and Managing Director. In accordance with Indian law, the purchase price is to be paid at such time as determined by Board of Directors of the company. During the fiscal year 2017 and 2014, the Company has received an aggregate of 300 million each year, in connection with this private placement, resulting in an aggregate of 3,100 million received till date. Although all 125,000,000 shares are deemed issued and outstanding, the unpaid portion of the equity shares issued pursuant to the subscription agreement do not have any voting rights and are not entitled to dividends, if declared. As of the date of this Report, Mr. Vegesna has paid for 77.50% of the shares of the subscription**.** The balance of the proceeds from the allotment of the equity shares to our promoter group, or 900 million, will take place in tranches as per the amended subscription agreement and the Board of Directors assessment from time to time of the Company's capital requirements, as regards both timing and amount. See note 37 in the notes to the financial statements included in this Annual Report.

We have borrowings of 5,793 million as of March 31, 2018 out of which 3,946 million will be repaid within a period of 12 months. Interest outflow on existing borrowings for next year is expected to be 454 million. We have utilized working capital facility of 2,469 million out of limit of 2,500 million during fiscal 2018. We have unutilized non fund limit of 815 million as of March 31, 2018.

Our ongoing working capital requirements are significantly affected by the profitability of our operations and we continue to periodically evaluate existing and new sources of liquidity and financing. We are taking steps to improve the cash position to meet our currently known requirements at least over the next twelve months. In light of the highly dynamic nature of our business, however, we cannot assure you that our capital requirements and sources will not change significantly in the future.

Cash and cash equivalents:

Cash and cash equivalents comprise of 1,875 million, 1,434, million, 1,123million, in bank accounts and 413 million, 449 million, 613 million in the form of bank deposits as on March 31, 2018, 2017, 2016 out of which cash deposits in the form of margin money is restricted for use by us amounting to 296 million, 263 million, 345million. Balances in foreign currency amount to 249 million, 336 million and 285 million as of March 31, 2018, 2017and 2016.

Net cash generated from operating activities for the year ended March 31, 2018 was 2,121 million ($ 32.61 million). This is mainly attributable to cash generated during the year before changes in working capital 3,440 million ($ 52.89 million), increase in trade and other payables by 605 million ($ 9.30 million), increase in employee benefits 29 million ($ 0.45 million) and increase in deferred revenue by 297 million ($ 4.56 million) on account of increase in advance billing in long term projects, decrease in inventories by 536 million ($ 8.24 million) and partially offset by increase in trade and other receivables by 2,221 million ($ 34.14 million), increase in other assets by 519 million ($ 7.98 million).

Net cash generated from operating activities for the year ended March 31, 2017 was 1,748 million ($ 26.96 million). This is mainly attributable to cash generated during the year before changes in working capital 3,064 million ($ 47.25 million), increase in trade and other payables by 1,379 million ($ 21.27 million), increase in employee benefits 27 million ($ 0.42 million) and increase in deferred revenue by 173 million ($ 2.67 million) on account of increase in advance billing in long term projects and partially offset by increase in trade and other receivables by 1,844 million ($ 28.43 million), increase in inventories by 441 million ($ 6.80 million), other assets by 618 million ($ 9.53 million).

Net cash generated from operating activities for the year ended March 31, 2016 was 2,442 million ($ 36.81 million). This is mainly attributable to cash generated during the year before changes in working capital 2,785 million ($ 41.99 million), increase in trade and other payables by 1,347 million ($ 20.31 million), increase in employee benefits and other assets by 36 million ($ 0.54 million) and increase in deferred revenue by 220 million ($ 3.32 million) on account of increase in advance billing in long term projects and partially offset by increase in trade and other receivables by 946 million ($ 14.26 million), increase in inventories by 508 million ($ 7.66 million).

Net cash used in investing activities for the year ended March 31, 2018 was 1,794 million ($ 27.58 million) primarily on account of additional expenditure on Data Center, upgradation of network backbone and investment in corporate debt securities.

Net cash used in investing activities for the year ended March 31, 2017 was 1,610 million ($ 24.83 million) primarily on account of additional expenditure on Data Center in Rabale, upgradation of network backbone and investment in corporate debt securities.

Net cash used in investing activities for the year ended March 31, 2016 was 1,566 million ($ 23.61 million) primarily on account of additional expenditure on Data Center in Rabale.

Net cash used in financing activities for fiscal year 2018 was 1,048 million ($ 16.11 million). The increase is mainly due to repayment of lease liabilities of 403 million ($ 6.20 million) and finance expenses paid amounting to 491 million ($ 7.55 million). Also, dividend of 209 million ($ 3.20 million) was paid during the year. The increase is partially offset by borrowings amounting 43 million ($ 0.66 million) and proceeds from issue of shares including share premium under ESOP 12 million ($ 0.19 million) received during the year.

Net cash used in financing activities for fiscal year 2017 was 257 million ($ 3.96 million). The increase is mainly due to repayment of lease liabilities of 603 million ($ 9.30 million) and finance expenses paid amounting to 427 million ($ 6.59 million). Also, dividend of 170 million ($ 2.62 million) was paid during the year. The increase is partially offset by borrowings amounting 643 million ($ 9.92 million) and call money on shares amounting to 300 million ($ 4.63 million) received during the year.

Net cash used in financing activities for fiscal year 2016 was 580 million ($ 8.75 million). The increase is mainly due to repayment of lease liabilities of 543 million ($ 8.20 million) and finance expenses paid amounting to 568 million ($ 8.56 million). Also dividend of 170 million ($ 2.56 million) was paid during the year. The increase is partially offset by borrowings amounting 701 million ($ 10.57 million) during the year.

Capital expenditure

We incurred 1,475 million (US$ 22.68 million) towards capital expenditure for the year ended March 31, 2018. We expect further capital expenditure to be incurred during the fiscal year 2019 to strengthen our infrastructure capabilities. The capital expenditure was funded out of internal accruals, bank borrowings and finance leasing

arrangements. Also refer to section “Principal Capital Expenditures” under Item 4 for capital commitments as on March 31, 2018.

Research and development

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

Trends

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

Off-balance sheet arrangements

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

Contractual obligations

Set forth below are our contractual obligations as of March 31, 2018:

Payments due by period (000s)

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt Obligations	3,615,748	1,242,517	2,102,955	270,276	-
Short Term Borrowings	2,597,781	2,597,781	-	-	-
Finance Lease Obligations	210,302	105,274	101,888	3,140	-
Non-cancellable Operating Lease obligations	990,859	112,358	238,218	253,730	386,553
Purchase Obligations	1,032,695	1,032,695	-	-	-
Total	8,447,385	5,090,625	2,443,061	527,146	386,553

Recent Accounting Pronouncements

(i) **IFRS 15 Revenue from Contracts with Customers:** In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15, Revenue from Contracts with Customers. The core principle of the new standard is that an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method. The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2018, the Group will adopt the standard with effect from April 1, 2018 by using the cumulative effect transition method and accordingly comparatives will not be retrospectively adjusted. The effect on adoption of IFRS 15 on Statement of Profit and Loss is not expected to be significant and the Group will recognise the effect of initial application in the opening retained earnings as per the transitional provisions prescribed under this Standard.

(ii) **IFRS 16 leases:** IFRS 16 on lease was issued on January 13, 2016 and is effective from the year January 1, 2019. The standard replaces all existing lease accounting requirements and represents a significant change in accounting and reporting of leases, with more assets and liabilities to be reported on the Statement of Financial Position and a different recognition of lease costs. The Group is currently evaluating the effect of the standard on the consolidated financial statements.

(iii)

IFRIC 22 Foreign currency transactions and advance consideration: IFRIC 22 was issued on December 8, 2016 which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The effective date for adoption of IFRIC 22 is annual reporting periods beginning on or after January 1, 2018. The Group will adopt the amendment with effect from April 1, 2018, the Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

(iv) **IFRIC 23 Uncertainty over income tax treatments:** IFRIC 23 was issued on June 7, 2017 to clarify the accounting for uncertainties in income taxes. The effective date for adoption of IFRIC 23 is annual reporting periods beginning on or after January 1, 2019, though early adoption is permitted. The Group is currently evaluating the effect of the same on the consolidated financial statements.

(v) **Amendments to IFRS 2, Share-based payment:** In June 2016, the International Accounting Standards Board issued the amendments to IFRS 2, providing specific guidance for measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. The effective date for adoption of the amendments to IFRS 2 is annual reporting periods beginning on or after January 1, 2018, though early adoption is permitted. The Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

(vi) **Ammendments in IAS 19 – Employee Benefits:** In February 2018, the IASB issued amendments to IAS 19 – "Employee Benefits" regarding plan amendments, curtailments and settlements. The amendments in Plan Amendment, Curtailment or Settlement are as follows;

a) If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement;

b) In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

The above amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted but must be disclosed.

The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

Critical Accounting Policies

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

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

Revenue Recognition

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

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

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

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

(i) Telecom Services:

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

(ii) Data Center Services:

Revenues from DC services consists co-location of racks and power charges. The contracts are mainly for a fixed rate for a period of time and are recognised over the period during which the service is provided.

(iii) Cloud and Managed Services:

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

(iv) Technology Integration Services:

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

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

(v) Applications Integration Services:

Revenue from Applications Integration services includes online assessment, document management services, web development, mailing solutions, supply chain software, digital certificate based authentication services and e-learning software development services. E-learning software development services consist of structuring of content, developing modules, delivery and training users in the modules developed. Revenue from Applications Integration Services is recognised based on percentage of completion method. Percentage completion is measured based on the amount of time/effort spent on a project. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

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

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

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

Income from operating leases:

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

Indefeasible Right of Use (IRU)

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

Accounting Estimates

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

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

Business Combinations, Goodwill and Intangible Assets

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

independent valuation experts.

Business combinations have been accounted for using the acquisition method under the provisions of IFRS 3 (Revised). The cost of acquisition is measured at the fair 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.

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

Estimated Useful Lives of Property, Plant and Equipment

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

Impairment Financial assets

Trade receivables, contract assets, lease receivables under IFRS 9, investments in debt instruments that are carried at amortised cost, investments in debt instruments that are carried at FVTOCI are tested for impairment based on the expected credit losses for the respective financial asset.

Trade receivables

An impairment analysis is performed at each reporting date. The expected credit losses over lifetime of the asset are estimated by adopting the simplified approach using a provision matrix which is based on historical loss rates reflecting current condition and forecasts of future economic conditions. In this approach assets are grouped on the basis of similar credit characteristics such as industry, customer segment, past due status and other factors which are relevant to estimate the expected cash loss from these assets.

Other financial assets

Other financial assets are tested for impairment based on significant change in credit risk since initial recognition and impairment is measured based on probability of default over the lifetime when there is significant increase in credit risk.

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.

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

cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a *pro rata basis.*

Reversal of impairment loss:

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

Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

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

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

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

Item 6. Directors, Senior Management and Employees

Directors and Executive Officers

The following table sets forth the name, age and position of each director and senior management executive officer of our Company as of March 31, 2018:

Name	Age	Designation
Raju Vegesna (4)	58	CEO, Chairman & Managing Director
Ananda Raju Vegesna (2) (4) (5)	58	Executive Director
C B Mouli (1)	71	Director, Chairman & Financial Expert of Audit Committee
S K Rao (1) (2) (3) (5) (6)	74	Director
T H Chowdary (2) (3) (5)	86	Director & Chairman of Compensation & Nominating Committees
Vegesna Bala Saraswathi	54	Director
C E S Azariah (1) (2) (3) (4) (5)	70	Director
Kamal Nath	53	Chief Executive Officer - Sify Technologies Limited, India
M P Vijay Kumar	48	Chief Financial Officer
C R Rao	58	Chief Operating Officer

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating Committee.

(4) Member of the Corporate Social Responsibility Committee.

(5) Member of Nomination and Remuneration Committee.

(6) Dr S K Rao, an Independent Director of the Company, a member of the Audit Committee, Compensation Committee and Nominating Committee has resigned from Board on June 4, 2018 due to health conditions. As a result of Dr. Rao's resignation, the Company is currently not compliant with NASDAQ Listing Rule 5605(b), which requires a majority of the Board of Directors to be comprised of independent directors, and Rule 5605(c)(2), which requires a company to have an Audit Committee comprised of at least three independent directors. The Company intends to regain compliance by adding a new independent director before the end of the cure period allowed under NASDAQ rules. Dr S K Rao's position on the Board, Audit Committee, Compensation Committee and Nominating Committee will remain vacant till the vacancy is filled up.

Raju Vegesna, CEO, Chairman and Managing Director, has served as a Director of our Company since November 2005. He was appointed as the Chief Executive Officer and Managing Director of the Company effective July 18, 2006. Mr. Raju Vegesna is a Silicon Valley entrepreneur who founded several leading edge technology companies, including Server Works Corporation, acquired by Broadcom in 2001. After that acquisition he had a brief stint with Broadcom. He holds a BS in Electrical Engineering from the University of Bangalore and holds an MS in Computer Engineering from Wayne State University, USA, and holds several patents in Microprocessor and Multiprocessor technology. He is also a Director of Server Engines LLC, Nulife Corp, USA. and Raju Vegesna Infotech & Industries Private Limited.

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

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

S.K. Rao served as a Director of our Company from July 2005 until his recent resignation on June 4, 2018. Mr Rao retired as the Director General, Administrative Staff College of India, Hyderabad. Mr Rao previously worked at the Commonwealth Secretariat in London in various diplomatic capacities. He also acted as the Consultant for the United Nations and represented the Commonwealth Secretariat as an Observer at the meetings of the UN General Assembly. Mr. Rao holds a MA and a PhD in Economics from Trinity College, Cambridge, U.K**.**

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

Ms Vegesna Bala Saraswathi, spouse of Mr Raju Vegesna, CEO, Chairman and Managing Director, served as Director of our Company since July 2015. Ms Vegesna Bala Saraswathi is a Commerce Graduate, Associate Course Work in Computer Skills (US) and Associate Course Work in US Federal and State Taxes (US).

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

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

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

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

Infinity Capital Ventures, LP beneficially owned 7.78 % of our equity shares as of March 31, 2018. This shareholder is a party to the Subscription Agreement dated November 10, 2005 with our Company. The Subscription Agreement provides that, among other things, the Company shall appoint Mr Raju Vegesna as the Chairman of the Board of Directors, Infinity Capital shall also nominate another person to the Board of Directors and so long as Infinity Capital continues to own at least 10% of the Company's outstanding Equity Shares, the Company shall not enter into any agreement pursuant to which it would provide a third party with registration rights for Company securities, without the consent of Infinity Capital. In November 2005, Mr Raju Vegesna, a nominee of Infinity Capital Ventures, LP, was appointed as Chairman of our Board of Directors. In February 2006, the Company also appointed Mr. P S Raju as the second nominee of Infinity Capital to the Board of Directors. Consequent to the resignation of Mr P S Raju, as a Director effective May 31, 2015, Ms Vegesna Bala Saraswathi was appointed as an additional Director effective July 22, 2015 of our Company as a Nominee. Further, she was elected by shareholders as a Director at the Annual General Meeting held on July 4, 2016. She got re-elected as a director in Annual General Meeting held on July 6, 2017.

Infinity Satcom Universal Private Limited beneficially owned 8.13% of our equity shares as of March 31, 2018. Mr Ananda Raju Vegesna, Executive Director of the Company and brother of Mr Raju Vegesna, is the Director of Infinity Satcom. Infinity Satcom is presently controlled by Mr Raju Vegesna.

Director Compensation

Our Articles of Association provide that each of our directors may receive a sitting fee not exceeding the maximum limits prescribed under the provisions of the Indian Companies Act, 2013. Accordingly, our Directors, other than the Chairman and Managing Director and Executive Director, have been receiving 20,000 for each committee meeting and 50,000 for each Board meeting attended by them.

Mr Raju Vegesna, who is our CEO, Chairman and Managing Director, does not receive any compensation for his service on our Board of Directors. Similarly, Mr Ananda Raju Vegesna, who is employed as our Executive Director, also does not receive any compensation for his service on our Board of Directors. Directors are reimbursed for travel and out-of-pocket expenses in connection with their attendance at Board and Committee meetings. T. H. Chowdary, a Director of our Company, has been receiving 20,000 per month till January 2018, and the same has been revised to 25,000 per month with effect from February 1, 2018 for the technical services rendered by him, after obtaining requisite approval.

Officer Compensation

The following table sets forth all compensation paid by us during the fiscal year ended March 31, 2018 to our executive officers:

Summary Compensation Table
(in million)

Name	Salary(1)	Bonus **(Performance based incentive)**
Kamal Nath	14.22	1.07
M P Vijay Kumar	11.80	0.80
C R Rao	11.94	0.95

(1) Includes provident fund contributions.

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

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

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

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

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

Name	in million
Kamal Nath	0.68
M P Vijay Kumar	0.50
C R Rao	0.50

Gratuity expense is determined at an overall Company level based on an actuarial valuation performed by an independent actuary. Thus, the cost for the year ended March 31, 2018 in respect of gratuity and compensated absences towards executive officers of the Company was not separately determined. Gratuity cost relating to such executive officers is not estimated to be material.

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

(i) Performance of the Company: Represents bonus payable on achievement of overall revenue and net profit targets for the Company.

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

We have provided for 106.73 million ($1.64 million) towards bonus payable for the year ended March 31, 2018 to employees including executive officers who have achieved the KRAs and KPIs.

Total of 1.65 million options were allotted to executive officers as part of ASOP 2014 plan during fiscal 2015. No such options were allotted to executive officers during fiscal 2017 and 2018. Related charge for the fiscal 2018 amounted to 1.35 million ($0.02 million).

Board Composition

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

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

However Independent Directors are not liable to retire by rotation.

On July 15, 2005, we appointed Messrs. S.K. Rao and C.B. Mouli as independent Directors of the Board to comply with the applicable NASDAQ rules. Dr. S.K Rao resigned effective June 4, 2018. His position on the Board, Audit Committee, Compensation Committee and Nominating Committee will remain vacant until the Company is able to find a suitable replacement.

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

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

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

In addition, based on the recommendation of the Board of Directors the above four Directors were appointed by the shareholders as the Independent Directors of the Board for a term of five consecutive years from the conclusion of the Eighteenth Annual General Meeting held on July 28, 2014.

Term of Directors

Mr Raju Vegesna, CEO, Chairman & Managing Director	Appointed as Chairman & Managing Director for a period of five years effective July 18, 2009. Pursuant to the recommendation of the Nomination & Remuneration Committee and the Board, he was reappointed as the Chairman & Managing Director for a further period of five years effective July 18, 2014 and the same was approved by the shareholders of the Company at the Annual General Meeting held on July 28, 2014. The Ministry of Corporate Affairs, Government of India also approved the same. As per Articles of Association of the Company, he is not required to retire by rotation and hence shall hold office for the full term.
Mr Ananda Raju Vegesna, Executive Director	Appointed as Executive Director for a period of five years effective June 22, 2010. Pursuant to the recommendation of the Nomination & Remuneration Committee and the Board, Mr Ananda Raju Vegesna was reappointed as the Executive Director for a further period of five years effective June 22, 2015 which was approved by the shareholders at the Annual General Meeting held on June 18, 2015. Further, as per the Act, he retires by rotation at the ensuing Annual General Meeting scheduled on July 6, 2018 and is eligible for re-election
Dr T H Chowdary, Chairman of Compensation and Nominating Committees	Appointed as a Director in February 1996. As per the Indian Companies Act, 2013, he was appointed as an Independent Director for a term of five consecutive years from the conclusion of the Eighteenth Annual General Meeting held on July 28, 2014.
Dr S K Rao	Appointed as a Director in July 2005. As per the Indian Companies Act, 2013, he was appointed as an Independent Director for a term of five consecutive years from the conclusion of the Eighteenth Annual General Meeting held on July 28, 2014. Dr. S.k.Rao resigned effective June, 4 2018.
Ms Vegesna Bala Saraswathi	Appointed as an Additional Director in July 2015. As per the Indian Companies Act, 2013, she was elected by the shareholders at the Annual General Meeting held on July 4, 2016. Further, as per the Act, she retires by rotation and eligible for re-election. She got re-elected at the Annual General Meeting held on July 6, 2017.
Mr C B Mouli, Chairman and Financial Expert of Audit Committee	Appointed as a Director in July 2005. As per the Indian Companies Act, 2013, he was appointed as an Independent Director for a term of five consecutive years from the conclusion of the Eighteenth Annual General Meeting held on July 28, 2014.
Mr C E S Azariah	Appointed as a Director by the Board of Directors in March 2013. As per the Indian Companies Act, 2013, he was appointed as an Independent Director for a term of five consecutive years from the conclusion of the Eighteenth Annual General Meeting held on July 28, 2014.

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

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

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

Board Committees

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

Audit Committee

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

Mr C B Mouli;

and

Mr C E S Azariah

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

The Audit Committee held five meetings in person during fiscal year 2017-18.

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

Compensation Committee

Our Compensation Committee consists of one executive and two independent directors as determined under applicable NASDAQ rules, and consists of:

(i) Dr T H Chowdary;

(ii) Mr C E S Azariah and

(iii) Mr Ananda Raju Vegesna

The Compensation Committee of the Board of Directors determines the salaries, benefits and stock option grants for our employees, consultants, directors and other individuals compensated by our Company. The Compensation Committee also administers our compensation plans. The Compensation Committee has adopted a Charter, which is reviewed annually.

The Compensation Committee held four meetings in person during fiscal 2017-18.

Corporate Social Responsibility Committee

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

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

Mr Raju Vegesna

Mr Ananda Raju Vegesna

Mr C E S Azariah

The purpose of the CSR Committee is to monitor the implementation of the CSR projects or programs or activities undertaken by the Company. A responsibility statement shall be signed by the CSR Committee confirming compliance with the CSR objectives and Policy of the Company. The Committee shall submit its report to the Board and the Board shall report the same in its report to the shareholders annually.

The Corporate Social Responsibility (CSR) is displayed on the Company's website at http://corporate.sify.com/csr-policy.html http://sifytechnologies.com/investors/company-profile/csr-policy/.

For the financial year 2017-18, the company has spent 9.54 million in pursuance of its Corporate Social Responsibility Policy in the following manner:

1. **Contribution to the Hospital for the Disabled**: the Company has contributed 6.30 million to Sri Venkateswara Institute of Research and Rehabilitation for the Disabled Trust, Dwarakha, Tirumala Hospital for the disabled which runs by the Trust.

2. **Contribution towards promoting Education:** the Company has contributed 3.24 million towards promotion of education.

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Nominating Committee

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

Dr T H Chowdary

and

Mr C E S Azariah

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

On July 22, 2015, the Nominating Committee has reviewed and recommended the appointment of Ms Vegesna Bala Saraswathi as an additional Director of the Company who holds office upto the Annual General Meeting. Further, she was elected by shareholders as a Director at the Annual General Meeting held on July 4, 2016, Further, as per the Act, she retires by rotation and eligible for re-election. She was re-elected at the Annual General Meeting held on July 6, 2017. The Nominations Committee has adopted a charter.

Employees

As of March 31, 2018, we had 2,608 employees, compared with 2,318 as of March 31, 2017. Of our current employees, 127 are administrative, 473 form our sales and marketing, 32 are in product and content development, 1,904 are dedicated to technology and technical support, and 72 are in business process and customer care. None of our employees are represented by a union. We believe that our relationship with our employees is good.

Stock Ownership

The following table sets forth information with respect to the beneficial ownership of our equity shares as of May 31, 2018 by each director and our senior management executives. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to equity shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all equity shares beneficially owned.

	Equity Shares Beneficially Owned	
Beneficial Owner	Number	Percent
Raju Vegesna *	154,053,326	86.22 %
Ananda Raju Vegesna	-	-
Vegesna Bala Saraswathi	-	-
T. H. Chowdary	-	-
C B Mouli	-	-
S K Rao	-	-
C E S Azariah	-	-

Out of the above 125,000,000 shares allotted to Mr. Vegesna and his affiliated entities, as all shares are issued and outstanding. However, pursuant to Indian law, Mr. Vegesna does not have full voting power for the shares until such shares have been fully paid. As of March 31, 2018, the entities affiliated with Mr. Vegesna had paid for 77.5% of the shares sold pursuant to the subscription agreement described elsewhere in this form, and his beneficial ownership is approximately 83.64%. As only 96,875,000 shares have the right to vote at this time, he may only vote those 96,875,000 shares.

The balance amount of 22.5% on the 125,000,000 shares shall be paid by the affiliated entities of Mr Vegesna as and when the same is called by the Board of Directors of the Company based on the fund requirements of the Company. When such shares are fully paid, Mr Vegesna shall have full voting rights on the 125,000,000 shares.

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

Associate Stock Option Plan

We have an Associate Stock Option Plan, or ASOP, which provides for the grant of options to employees of our Company. The ASOP 2014 was approved by our Board of Directors and our shareholders in July 2014 and 25,000,000 shares were reserved for issuance under the plan. This was in addition to the earlier ASOP Plans of 2000, 2002, 2005 and 2007. A total of 25 million equity shares are currently reserved for issuance under our ASOP Plans. As of March 31, 2018, we had outstanding an aggregate of 5.18 million options under our ASOP Plans with a weighted average exercise price equal to approximately 78.79 ($1.21) per equity share.

The ASOP Plans are administered by the Compensation Committee of our Board of Directors. On the recommendation of the Compensation Committee, we issue option letters to identified employees, with the right to convert the issued options into our equity shares at the rates indicated in the options.

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

Associate Stock Option Plan 2014

The Company introduced a new Stock Option Plan under Associate Stock Option Plan 2014 (ASOP 2014) for granting ESOPs as Equity Shares and/or ADSs linked warrants to the eligible Associates of the Company and its Holding/Subsidiaries/Associates. For this purpose, the Company allocated 25 million Equity Shares of 10/- each under ASOP 2014. The proposal was approved by the shareholders of the Company at the Eighteenth Annual General Meeting held on July 28, 2014.

Subsequently, the Board at their meeting held on January 20, 2015 approved to grant of 5,870,800 options to 85 Associates and issued Grant Letters. Further during fiscal 2016, 2017 and 2018, the Company granted 184,300, 525,000 and 1,50,000 options to eligible Associates.

The ASOP Plans are administered by the Compensation Committee of our Board of Directors. On the recommendation of the Compensation Committee, we issue option letters to identified employees, with the right to convert the issued options into our equity shares at the rates indicated in the options.

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

We filed Form S-8 on December 21, 2015 with SEC for the options issued under the plan. The vesting of options commenced in January 2016. During the year ended 2018, 9 associates have exercised 1,53,860 vested options.

Item 7. Major Shareholders and Related Party Transactions

Principal Shareholders

The following table sets forth information with respect to the beneficial ownership of our equity shares as of March 31, 2018 by each person or group of affiliated persons who is known by us based on our review of public filings to beneficially own 5% or more of our equity shares. The table gives effect to equity shares issuable within sixty days upon the exercise of all options and other rights beneficially owned by the indicated shareholders on that date. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to equity shares as well as the power to receive the economic benefits of ownership of securities. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all equity shares beneficially owned. The information below is based on a review of filings made by such persons with the SEC.

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

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

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

As of March 31, 2018, entities affiliated with our CEO, Chairman and Managing Director, Mr. Raju Vegesna, beneficially owned approximately 86.22% of our outstanding equity shares, which includes the 125,000,000 shares (partly paid with proportionate voting rights) issued in connection with the private placement described below.

	Equity Shares Beneficially owned	
Shareholder	Number	Percent
Infinity Capital Ventures, LP, 11601 Wilshire Boulevard, Suite 1900, Los Angeles, CA 90025	13,902,860	7.78
Vegesna Family Trust, LP, 11601 Wilshire Boulevard, Suite 1900, Los Angeles, CA, 90025	620,466	0.35
Infinity Satcom Universal Private Limited, Visakhapatnam	14,530,000	8.13
Ramanand Core Investment Company Private Limited, Visakhapatnam*	125,000,000	69.96

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

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

Name of the shareholder	2015-16	2016-17	2017-18

	No. of shares	%	No. of shares	%	No. of shares	%
Infinity Capital Ventures, LP, USA	13,902,860	7.79	13,902,860	7.79	13,902,860	7.78
Vegesna Family Trust, USA	578,191	0.32	620,466	0.35	620,466	0.35
Infinity Satcom Universal Private Limited	14,530,000	8.14	14,530,000	8.14	14,530,000	8.13
* Raju Vegesna Infotech and Industries Private Limited	-	-	-	-	-	-
** Ramanand Core Investment Company Private Ltd.	125,000,000	70.02	125,000,000	70.02	125,000,000	69.96

* 125,000,000 shares were issued to Raju Vegesna Infotech and Industries Private Limited at a discount of 50% to the prevailing American Depositary Share market price since the allotment of shares was for unlisted Indian equity shares. The shareholders of the Company approved the unregistered offering through voting in a general meeting where the promoter group beneficially owned 86.22% of the equity shares eligible to vote in the meeting.

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

Reference is made to note 37 to the Consolidated Financial Statement as regards the shareholding of Ramanand Core Investment Company Private Limited. As of such date, these shares are partly paid up to the extent of 77.50 % of the face value and hence carry voting rights proportionate to the paid up value of these shares. The Company has lien on these shares till such shares are fully paid up.

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

United States Shareholders

As of March 31, 2018, 39,153,995 of our ADSs were held in the United States and we had approximately 11,278 shareholders in the United States. Each ADS represents one equity share.

Host country Shareholders

As on March 31, 2018, 139,530,652 of our equity shares were held in India and we had 24 shareholders on record in India. Each equity share has a par value of 10/- each. Of the above, 125,000,000 shares were partly paid up to the extent of 7.75 per share.

Control of Registrant

Based on our review of filings made with the SEC, Infinity Capital Ventures, LP beneficially owned 7.78 % of our equity shares as of March 31, 2018. This shareholder is a party to the Subscription Agreement dated November 10, 2005 with our Company. The Subscription Agreement provides that, among other things, the Company shall appoint Mr Raju Vegesna as the Chairman of the Board of Directors, Infinity Capital shall also nominate another person to the Board of Directors and for so long as Infinity Capital continues to own at least 10% of the Company's outstanding Equity Shares, the Company shall not enter into any agreement pursuant to which it would provide a third party with registration rights for Company securities, without the consent of Infinity Capital. In November 2005, Mr Raju Vegesna, a nominee of Infinity Capital Ventures, LP, was appointed as Chairman of our Board of Directors. In February 2006, the Company also appointed Mr. P S Raju as the second nominee of Infinity Capital to the Board of Directors. Consequent to the resignation of Mr P S Raju, as a Director effective May 31, 2015, Ms Vegesna Bala Saraswathi was appointed as an additional Director of our Company effective July 22, 2015, as a Nominee. Further, as per the Act, she retires by rotation and is eligible for re-election. She was re-elected at the Annual General Meeting held on July 6, 2017.

Infinity Satcom Universal Private Limited, India also beneficially owned 8.13% of our equity shares as of March 31, 2018.

As of March 31, 2018, entities affiliated with our CEO, Chairman and Managing Director, Mr. Raju Vegesna, beneficially owned approximately 86.22% of our outstanding equity shares, which includes the 125,000,000 shares issued in connection with the private placement described below.

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

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

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

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement with our promoter group, including an entity affiliated with our CEO, Chairman and Managing Director, Mr Raju Vegesna. See note 37 in the notes to the financial statements in this Annual Report.

Forfeiture of equity shares issued in a private placement

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

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

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

Sale of shares in a private transaction

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

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

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement with our promoter group, including an entity affiliated with our CEO, Chairman and Managing Director, Mr Raju Vegesna. See note 37 in the notes to the consolidated financial statements in this Annual Report.

The proceeds from the said issue have been utilized towards capital expenditure and expansion plans of the Company. As of March 31, 2018, we had received an aggregate of $ 47.66 million approximately of proceeds from the issuance.

Related Party Transactions

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

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

VALS Developers Private Limited ("VALS") is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal shareholder and CEO, Chairman, Managing Director, was holding 94.66% equity in his personal capacity. VALS executed a MoU on June 16, 2008 with Advance India Private Limited ("AIPL") and HERMIT Projects Private Limited ("HERMIT") for the purchase of shares of HERMIT. HERMIT in turn held entire share capital of Pace Info Com Park Private Limited ("Pace"). AIPL was the Holding Company of HERMIT. During the year ended March 31, 2009, Sify entered into a memorandum of understanding with VALS Developers Private Limited to obtain land on which building was proposed to be constructed on a long term lease. The lease agreement, when final and executed, is expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for the incremental five year terms. In connection with this memorandum of understanding, Sify has paid a security deposit of 125,700 and advance rental of 157,125 to VALS. The security deposit will be refunded at the end of lease term and the advance rental would be adjusted over 15 months from the commencement of lease term. It is customary in India that whenever a premises is taken up on lease for commercial purpose, a rental advance is paid in multiple months of rent (e.g.) 10 months of rent, which shall be refunded at the time of vacating the premises without any interest.

On October 30, 2010, the Board of Directors had approved to cancel the MoU for lease arrangement and had decided to acquire the property which is under construction from the third party directly. On 12th January 2011, through a Memorandum of Amendment, the company with the intention to acquire the said land, had substituted its name with that of VALS and through such amendment VALS had agreed to assign all rights, responsibilities, obligations, title etc. in favour of the company, thus making the company eligible to acquire PACE through HERMIT and subsequently the land and also making liable to pay the entire consideration of 1,140,000. Hence the Company had paid VALS an amount of 2,175 i.e., difference between the amount paid by the Company to VALS and the amount paid by VALS to AIPL. During the previous year, the Company acquired the leasehold rights along with the building under construction through acquisition of entire shares HERMIT which in turn holds the entire shares of PACE, the original allottee of the land. As of March 31, 2014, the Company had paid a sum of 180,779 as an advance to AIPL towards construction of the building and any further sum it has to advance as per the commitment shall be adjusted towards value of investment in PACE after settling further debts and liabilities relating to construction of the said Data Center.

The Company had entered into a lease agreement with Ms Radhika Vegesna, Daughter of Mr Anand Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of 256 per month and payment of refundable security deposit of 2,558. This arrangement will be automatically renewed for a further period of two blocks of three years with all the terms remaining unchanged. Also refer note 34.

The Company had entered into a lease agreement with Raju Vegesna Developers (P) Limited, in which Mr Ananda Raju Vegesna, the Executive Director of the Company is a Director, to lease the premises owned by such Company for a period of three years effective February 1, 2012 for 30 per month. Subsequently, the Company entered into an amendment agreement on April 1, 2013, providing for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years. See note 34 in the notes to the financial statements in this Annual Report.

The Company had entered into a lease agreement with Raju Vegesna Infotech and Industries Private Limited, in which Mr Raju Vegesna, Managing Director and Mr Ananda Raju Vegesna, the Executive Director of the Company are also Directors, to lease the premises owned by the above Company for a period of three years effective February 1, 2012 for 75 per month. Subsequently, the Company entered into an amendment agreement on April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years. See note 34 in the notes to the financial statements in this Annual Report.

Loans to employees

We provide salary advances to our employees in India who are not executive officers or directors. The annual rate of interest for these loans is 0 %. As of March 31, 2018, the loan outstanding from employees is 15.17 million.

Item 8. Financial Information

Financial Statements

We have elected to provide financial statements pursuant to Item 18 of Form 20-F. No significant change has occurred since the date of our annual financial statements for fiscal year 2018.

Legal Proceedings

a) Proceedings before Department of Telecommunications

(i) License fees

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

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

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 replied suitably on the above demand notice.

On a related matter, the service providers had approached TDSAT (the 'Tribunal') on what items of income are liable for calculation of license fee and what all items of income on which license fees are not liable to be paid. The Tribunal by its order dated April 23, 2015 held that revenue from sale of scrap, treasury income etc are to be included as part of AGR. The Tribunal has also passed an order asking DOT to levy at most nominal amount as token penalty with interest if permissible at the lower rates. The Company had approached Honourable High Court of Madras (Court) in 2013 by filing a writ petition prohibiting Department of Telecommunications (DOT) from levying license fee on non-licensed activities. An interim order was passed by the Court restraining DOT from recovering license fee in respect of non- telecom activities for the writ petition filed in 2013.

Also, the Group has received notices for earlier years from DoT claiming License fee on the total Income (including income from Non Licensed activities). The Group has replied to these notices stating that license fees are not payable on income from non-licensed activities. The Group believes that it has adequate legal defenses against these notices and that the ultimate outcome of these actions may not have a material adverse effect on the Group's financial position and result of operations.

(ii) The present license for ISP under unified license issued by DOT on June 2, 2014 provides for payment of License fee on pure Internet services. However, the company through Internet Service Providers Association of India

(ISPAI) challenged the said clause before TDSAT. TDSAT passed a stay order on DOT from charging the license fee on pure Internet services. The group has appropriately accounted for any adverse effect that may arise in this regard in the books of account.

b) The Company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2018, the Company believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgment in all these cases, the maximum financial exposure would be 91.1 million (March 31, 2017: 37.4 million)

Dividends

In view of the good performance of the Company during the fiscal 2017-18 and availability of divisible profits, the Board of Directors recommended 12% cash dividend to all the shareholders of the Company for the year ended March 31, 2018, which is placed in the Notice of Annual General Meeting for Shareholders approval at the Annual General Meeting Scheduled to be held on July 6, 2018.

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

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

Item 9. The Offer and Listing

Trading Markets

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

Price History

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

Prior Fiscal Years

Fiscal year ended	High $	Low $
March 31, 2018	2.81	0.71
March 31, 2017	1.37	0.73
March 31, 2016	1.62	0.94
March 31, 2015	2.55	1.29
March 31, 2014	2.73	1.69

Fiscal year ended March 31, 2018	High $	Low $
First Quarter	0.96	0.71
Second Quarter	1.46	0.71
Third Quarter	1.99	1.40
Fourth Quarter	2.81	1.79

Fiscal year ended March 31, 2017	High $	Low $

First Quarter	1.37	0.99
Second Quarter	1.17	1.02
Third Quarter	1.10	0.73
Fourth Quarter	0.97	0.76

Most recent six months

Month	High $	Low $
May 2018	2.06	1.87
April 2018	2.28	1.89
March 2018	2.42	1.79
February 2018	2.13	1.79
January 2018	2.81	1.90
December 2017	1.84	1.50

Item 10. Additional Information

In fiscal 2015, the authorized share capital of the Company was enhanced by an amount of 189,000,000. Consequently our authorized share capital was increased to 2,040,000,000, divided into 204,000,000 Equity Shares, having a par value 10 per share.

As of March 31, 2018, 178,684,647 Equity Shares were issued, outstanding, of which 125,000,000 Equity Shares were partly paid and the balance fully paid.

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The equity shares are our only class of share capital. Some of the share capital, 39,153,995 shares, is represented by American Depository Shares issued by our Company in accordance with applicable laws and regulations. Our Articles of Association and the Indian Companies Act permit us to issue classes of securities in addition to the equity shares. For the purposes of this annual report, "shareholder" means a shareholder who is registered as a member in the register of members of our Company. The term shareholders and ADSs holders have the same meaning in this annual report since the Indian Companies Act only defines a shareholder.

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

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

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

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

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

On March 24, 2008 , the Company received a sum of 112.14 million (comprising of 12.81 towards face value and 99.33 million towards securities premium / share premium) .Subsequently, Infinity Satcom Universal communicated to the Company vide their letter dated August 27, 2008 that consequent to the merger petition of Sify Communications Limited amalgamating with Sify Technologies Limited has been withdrawn from the High Court of Madras, that they would focus their attention on the business of Sify Communication Limited and hence shall not contribute the balance

money towards the subscription of 12,817,000 Equity Shares on call. On August 29, 2008, the Board of Directors, forfeited the shares allotted and the application monies collected (112.14 million including sums towards capital and premium).

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

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

On October 30, 2010, we consummated the issuance and sale of 125,000,000 of our equity shares in a private placement with our promoter group, including an entity affiliated with our CEO, Chairman and Managing Director, Mr. Raju Vegesna. These shares carry voting rights proportionate to the amount paid up on these shares. Further company has a lien on these shares till the shares are fully paid up. Also refer to note 37 to the Consolidated Financial statements.

The ASOP 2014 gives the Board and the Compensation Committee the absolute discretion and power in formulating the Rules, Regulations, Eligibility criteria, Vesting Schedule, Expiry etc. of the Plan and also to amend the same in the Plan from time to time as they may deem fit and appropriate.

During the year, the Nomination and Remuneration Committee has approved to grant the options and the details are given below:

Category	Total No of Options	No. of Associates
Associates who have completed more than 2 years of Service with Sify on the date of grant,	-	-
Associates who have completed between 1 and 2 years of Service with Sify on the date of grant	-	-
Associates who have completed less than 1 year of service with Sify on the date of grant	150,000	1
Total	150,000	1

The Nomination and Remuneration Committee had approved to grant 5,870,800 options were granted to the employees on January 20, 2015. The Group has granted additional 150,000, 525,000 and 184,300 options to employees during the year 2017-18, 2016-17 and 2015-16 respectively.

Memorandum and Articles of Association

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

Objects of Memorandum of Association

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

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

2.

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

3	To develop, service & sell/lease data based through direct or electronic media, to develop a wide area communication network of sell / lease the network or provide value added services on the network to develop, service, buy / sell computers, software, peripherals and related products to provide marketing services rising direct as well as electronic media;
4	To undertake the designing and development of systems and applications software either for its own use or for sale in India or for export outside India and to design and develop such systems and application software for or on behalf of manufacturers, owners and users of computer systems and digital / electronic equipment's in India or elsewhere in the world;
5	To set up and run electronic data processing centers and to carry on the business of data processing, word processing, software consultancy, system studies, management consultancy, techno-economic feasibility studies of projects, design and development of management information systems, share / debenture issues management and / or registration and share/debenture transfer agency;

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

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

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

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

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

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

Board of Directors

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

(a) no director of the Company can vote on a proposal, arrangement or contract in which he is materially interested;

(b) the directors of the Company cannot vote on a proposal in the absence of an independent quorum for compensation to themselves or their body;

(c) each of our directors is entitled to receive a sitting fee not exceeding 100,000 for every meeting of the Board of Directors and each meeting of a Committee of the Board of Directors, as well as all traveling and out-of-pocket expenses incurred in attending such meetings; however, effective May 2014, the Company has been paying 50,000 to the directors for each Board Meeting attended by them. However, there is no increase in the sitting fee for the Committee meetings, which is Rs.20,000 for each Meeting.

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

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

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

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

Dividends

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

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

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

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

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

- the rate of dividend to be declared may not exceed the average of the rate at which dividends were declared by it in the three years immediately preceding that year provided that this sub-rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial years.
- the total amount to be drawn from the accumulated profits shall not exceed one-tenth of the such sum of its paid up capital and free reserves as appearing in the last audited financial statement,
- the amount so drawn shall first be utilised to set off the losses incurred in the financial year in which a dividend is declared before any dividend in respect of equity shares is declared.
- the balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.
- No company shall declare dividends unless carried over previous losses and depreciation not provided in previous year or years are set off against profit of the company of the current year.

Voting Rights

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

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

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

(a) alteration of the objects clause of the memorandum and in the case of the company in existence immediately before the commencement of the Act, alteration of the main objects of the memorandum;

(b) alteration of articles of association in relation to insertion or removal of provisions which, under sub-section (68) of section 2, are required to be included in the articles of a company in order to constitute it a private company;

(c) change in place of registered office outside the local limits of any city, town or village as specified in sub-section (5) of section 12;

(d) change in objects for which a company has raised money from public through prospectus and still has any unutilized amount out of the money so raised under sub-section (8) of section 13;

(e) issue of shares with differential rights as to voting or dividend or otherwise under sub-clause (ii) of clause (a) of section 43;

(f) variation in the rights attached to a class of shares or debentures or other securities as specified under section 48;

(g) buy-back of shares by a company under sub-section (1) of section 68;

(h) election of a director under section 151 of the Act;

(i) sale of the whole or substantially the whole of an undertaking of a company as specified under sub-clause (a) of sub-section (1) of section 180;

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

Bonus Shares

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

Consolidation and Subdivision of Shares

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

Pre-emptive Rights and Issue of Additional Shares

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

Annual General Meetings of Shareholders

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

Our Articles provide that a quorum for a general meeting is the presence of at least five shareholders in person.

2017 Annual General Meeting

Our Annual General Meeting for the fiscal year 2017 was held on July 6, 2017 as decided by the Board of Directors at the registered office of our Company, 2nd Floor, TIDEL Park, 4 Rajiv Gandhi Salai, Taramani, Chennai 600 113, India.

At the Annual General Meeting, the shareholders approved the following items:

- Adoption of audited financials for the fiscal year ended March 31, 2017 as per Indian GAAP.
- Declaration of Dividend for the year ended March 31, 2017.
- Appoint a Director in place of Ms Vegesna Bala Saraswathi (DIN 07237117), who retires by rotation and being eligible, offers herself for reappointment.
- Reappointment of ASA & Associates LLP as the statutory auditors.
- Ratification of Remuneration payable to Mr S Ramachandran, Cost Auditor.
- Enhancement of the borrowing powers of the Company
- Creation of security on the assets of the Company

Limitations on the Rights to Own Securities

The limitations on the rights to own securities of Indian companies, including the rights of non-resident or foreign shareholders to hold securities, are discussed in the section entitled “Ownership Restrictions” below.

Register of Shareholders; Record Dates; Transfer of Shares

We maintain a register of shareholders as required under the Indian Companies Act, 2013. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the annual general meeting. The date on which this period begins is the record date.

To determine which shareholders are entitled to specified shareholder rights such as dividend, we may close the register of shareholders. The Indian Companies Act requires us to give at least seven days' prior notice to the public before such closure. We may not close the register of shareholders for more than thirty consecutive days, and in no event for more than forty-five days in a year.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public Company are freely transferable, subject only to the provisions of Section 58 of the Indian Companies Act, 2013 and the listing agreement entered into between the Company and relevant stock exchange on which the shares of the Company are listed. Since we are a public Company under Indian law, the provisions of Section 58 will apply to us. Our Articles currently contain provisions that give our directors discretion to refuse to register a transfer of shares in some circumstances. According to our Articles, our directors are required to exercise this right in the best interests of our Company. While our directors are not required to provide a reason for any such refusal in writing, they must give notice of the refusal to the transferee within 30 days after receipt of the application for registration of transfer by our Company. In accordance with the provisions of Section 58 of the Indian Companies Act, our directors may exercise this discretion if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the National Company Law Tribunal.

Pursuant to Section 58, if a transfer of shares contravenes any of the provisions of the Indian Companies Act and Securities and Exchange Board of India Act, 1992 or the regulations issued there under or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the Tribunal may, on application made by the relevant Company, a depository incorporated in India, an investor, a participant, or the Securities and Exchange Board of India or other parties, direct the rectification of the register, record of members and/or beneficial owners. Pursuant to Section 58, the CLB/Tribunal may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Indian Companies Act, unless the shares of a Company are held in a dematerialized form, a transfer of shares is effected by an instrument of transfer in the form prescribed by the Indian Companies Act and the rules there under together with delivery of the share certificates. Our transfer agent is GNSA Infotech Limited, Chennai.

Disclosure of Ownership Interest

Section 89 of the Indian Companies Act 2013 requires holders on record who do not hold beneficial interests in shares of Indian companies to declare to the Company certain details, including the nature of the holder's interest and details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine which may extend to 50 and where the failure is a continuing one with a further fine which may extend to 1 for every day after the first during which the failure continues.

Audit and Annual Report

Under the Indian Companies Act, a Company must file its annual report with the Registrar of Companies within 7 months from the close of the accounting year or within 30 days from the date of the Annual General Meeting, whichever is earlier. At least 21 days before the annual general meeting of shareholders excluding the days of mailing and receipt, we must distribute to our shareholders a detailed version of our audited balance sheet, profit and loss account and cash flow statement and the related reports of the Board and the auditors, together with a notice convening the annual general meeting. These materials are also generally made available at our corporate website, *www.sifycorp.com* Under the Indian Companies Act; we must file the audited financial statements presented to the shareholders within 30 days of the conclusion of the annual general meeting with the Registrar of Companies in Tamil Nadu, India, which is the state in which our registered office is located. We must also file an annual return containing a list of our shareholders and other information within 60 days of the conclusion of the meeting.

As per the directive of the Ministry of Corporate Affairs, Government of India, effective fiscal year ended March 31, 2011 onwards, the Company is required to file the audited financials in Extensible Business Reporting Language (XBRL) mode by using XBRL taxonomy.

The Company has voluntarily adopted the Indian Accounting Standards (Ind AS) and prepared the Financials under Ind AS for the year 2015-16 though it was mandatorily required only from the year 2016-17 onwards. The Financial Statements were approved by the Board of Directors as well as the Shareholders at the Twentieth Annual General Meeting held on July 4, 2016.

The Company has filed the financial statements and other documents with Ministry of Corporate Affairs, Government of India ("MCA") for the financial year 2016-17. The Company is in the process of filing the financial statements for the FY 2015-16 with ("MCA").

The Company has however filed a printed annual report prepared as per Indian Companies Act with the Registrar of Companies, Chennai.

Company Acquisition of Equity Shares

A Company may, under some circumstances, acquire its own equity shares without seeking the approval of the High Court. However, a Company would have to extinguish the shares it has so acquired within the prescribed time period. Generally, a Company is not permitted to acquire its own shares for treasury operations. An acquisition by a Company of its own shares (without having to obtain the approval of the High Court) must comply with prescribed rules, regulations and conditions as laid down in the Indian Companies Act and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, or Buy-back Regulations.

Any ADS holder may participate in a Company's purchase of its own shares by withdrawing his or her ADSs from the depository facility, acquiring equity shares upon the withdrawal and then selling those shares back to the Company.

There can be no assurance that equity shares offered by an ADS investor in any buyback of shares by us will be accepted by us. The regulatory approvals required for ADS holders to participate in a buyback are not entirely clear. ADS investors are advised to consult their legal advisors for advice prior to participating in any buyback by us, including advice related to any related regulatory approvals and tax issues.

Liquidation Rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares and taxes, if any, as may be prescribed under the Indian Companies Act, in the event of our winding-up the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on those equity shares. All surplus assets after payments due to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholdings.

Redemption of Equity Shares

Under the Indian Companies Act, equity shares are not redeemable.

Discriminatory Provisions in Articles

There are no provisions in our Articles of Association discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.

Alteration of Shareholder Rights

Under the Indian Companies Act, and subject to the provisions of the articles of association of a Company, the rights of any class of shareholders can be altered or varied (i) with the consent in writing of the holders of not less than three-fourths of the issued shares of that class; or (ii) by special resolution passed at a separate meeting of the holders of the issued shares of that class. In the absence of any such provision in the articles, such alteration or variation is permitted as long as it is not prohibited by the agreement governing the issuance of the shares of that class.

Under the Indian Companies Act, the articles of association may be altered by a special resolution of the shareholders

Provisions on Changes in Capital

Our authorized capital can be altered by an ordinary resolution of the shareholders in a General Meeting. The additional issue of shares is subject to the pre-emptive rights of the shareholders. In addition, a Company may increase its share capital, consolidate its share capital into shares of larger face value than its existing shares or sub-divide its shares by reducing their par value, subject to an ordinary resolution of the shareholders in a General Meeting.

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Material Contracts

See the agreements listed in Item 7, “Major Shareholders and Related Party Transactions” regarding our material contracts involving certain of our officers and directors.

Exchange Controls

General

The subscription, purchase and sale of shares of an Indian Company by Person Resident outside India (non-residents) are governed by various Indian laws regulating the transfer or issue of Securities by the Company to non-residents. These regulations have been progressively relaxed in recent years. Set forth below is a summary of various forms of investment, and the regulations applicable to each, including the requirements under Indian law applicable to the issuance of ADSs.

Foreign Direct Investment

Foreign Direct Investment (FDI) in India is governed by the FDI Policy announced by the Government of India and the provisions of the Foreign Exchange Management Act (FEMA), 1999. Reserve Bank has issued Notification No. FEMA 20 /2000-RB dated May 3, 2000 which contains the Regulations in this regard. This Notification has been amended from time to time. The various amendments are compiled every year in Master Circulars. In terms of Master Circular issued in July 1, 2009, FDI is freely permitted in almost all sectors. Under the FDI Scheme, investments can be made by non-residents in the shares / convertible debentures / preference shares of an Indian Company, through two routes; the Automatic Route and the Government Route. Under the Automatic Route, the foreign investor or the Indian Company does not require any approval from the Reserve Bank or Government of India (RBI) for the investment. Under the Government Route, prior approval of the Government of India, Ministry of Finance and Foreign Investment Promotion Board (FIPB) is required. The details of FDI are contained in the policy and procedures in respect of FDI in India are available in "the Manual on Investing in India - Foreign Direct Investment, Policy & Procedures".

In terms of Master Circular issued in April 2014, in most manufacturing / service sectors do not require prior approval of the FIPB, or the RBI, if the activity of the investee-Company fulfill the conditions prescribed for Automatic Route. These conditions include certain eligibility norms, pricing requirements, subscription in foreign exchange, compliance

with the Takeover Code (as described below), and ownership restrictions based on the nature of the foreign investor (as described below). Purchases by foreign investors of ADSs are treated as direct foreign investment in the equity issued by Indian companies for such offerings. Foreign investment up to 100 % of our share capital is currently permitted in telecom industry.

Subsequent Transfers

Restrictions for subsequent transfers of shares of Indian companies between residents and non-residents were relaxed significantly as of October 2004. As a result, for a transfer between a resident and a non-resident of securities of an Indian Company in the Telecom sector, such as ours, no prior approval of either the RBI or the Government of India is required, as long as the terms and conditions set out in A.P. (DIR Series) Circular No. 16 of October 4, 2004 is complied with. These conditions / procedure include compliance with pricing guidelines, Consent letters from the Transaction Parties, applicability of regulatory requirements such as FDI and the Takeover Code, filing Form FC TRS with Authorized Dealers (authorized bankers) with relevant enclosures and so on.

Transfers of shares or convertible debenture, by way of sale or gift, between two non-residents are not subject to RBI approvals or pricing restrictions, provided the buying non-residents do not have investment in similar business / collaboration / commercial arrangements in India. If the buying non-residents have similar investment / collaboration / commercial arrangements in India, prior Government Approval is required for such transaction.

Takeover Code

Upon conversion of ADSs into equity shares, a holder of ADSs will be subject to the Takeover Code as prescribed by the Securities and Exchange Board of India.

Reduction of limit for Overseas Direct Investment

In terms of the extant provisions under the Foreign Exchange Management Act, 1999 (FEMA, 1999) on overseas direct investments, the total overseas direct investment (ODI) of an Indian Party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity should not exceed 400 per cent of the net worth of the Indian Party as on the date of the last audited balance sheet under the Automatic Route.

As of September 2013, however, the Ministry of Finance has decided,

a) To reduce the existing limit of 400 per cent of the net worth of the Indian Party to 100 per cent of its net worth under the Automatic Route (no pre-approval required). Accordingly, AD Category - I banks may allow overseas direct investments under the Automatic Route up to 100 per cent of the net worth of the Indian party, as on the date of the last audited balance sheet;

b) To reduce the existing limit of 400 per cent of the net worth of the Indian company, investing in the overseas unincorporated entities in the energy and natural resources sectors, under the automatic route, to 100 per cent of the net worth of the Indian company investing in the overseas unincorporated entities in the energy and natural resources sectors, as on the date of last audited balance sheet; and

c) Any ODI in excess of 100% of the net worth shall be considered under the Approval Route by the Reserve Bank of India.

However, the above limits have been reversed in the year 2014.

Fungibility of ADSs

A limited two-way fungibility scheme has been put in place by the Government of India for ADRs / GDRs. Under this Scheme, a stock broker in India, registered with SEBI, can purchase shares of an Indian Company from the market for conversion into ADRs/GDRs based on instructions received from overseas investors. Re-issuance of ADRs / GDRs would be permitted to the extent of ADRs / GDRs which have been redeemed into underlying shares and sold in the Indian market.

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

If in the future a market for our equity shares is established in India or another market outside of the United States, those shares may trade at a discount or premium to the ADSs. Under current Indian regulations and practice, the approval of the Reserve Bank of India is not required for the sale of equity shares underlying ADSs by a non-resident Indian to a resident Indian as well as for renunciation of rights to a resident of India, unless the sale of equity shares underlying the ADSs is through a recognized stock exchange or in connection with the offer made under the regulations regarding takeovers. The shareholders who intend transferring their equity shares shall comply with the procedural requirements set out under the head ‘subsequent transfers’ above.

The Government is yet to notify the scheme.

Transfer of ADSs and Surrender of ADSs

A person resident outside India may transfer the ADSs held in Indian companies to another person resident outside India without any permission. An ADS holder is permitted to surrender the ADSs held by him in an Indian Company and to receive the underlying equity shares under the terms of the Deposit Agreement. Under Indian regulations, the re-deposit of these equity shares with the Depository for ADSs may not be permitted.

Government of India Approvals

Pursuant to the RBI's regulations relating to sponsored ADS offerings, an issuer in India can sponsor the issue of ADSs through an overseas depository against underlying equity shares accepted from holders of its equity shares in India. The guidelines specify, among other conditions, that:

- the ADSs must be offered at a price determined by the lead manager of such offering;
- all equity holders may participate;
- the issuer must obtain special shareholder approval; and
- the proceeds must be repatriated to India within one month of the closure of the issue.

Ownership Restrictions

The Securities and Exchange Board of India and Reserve Bank of India regulate Portfolio Investments in Indian Companies by Foreign Institutional Investors and Non-Resident Indians, both of which we refer to as foreign portfolio investors. The Reserve Bank of India issued a circular in August 1998 stating that foreign institutional investors in aggregate may hold no more than 30% of the equity shares of an Indian Company and non-resident Indians and overseas corporate bodies in aggregate may hold no more than 10% of the shares of an Indian Company through portfolio investments. Under current Indian Law, the aggregate of the investment by the Foreign Institutional Investors can’t be more than 24% of the equity share capital of an Indian Company, and the aggregate of the investment by the Non-Resident Indians can’t be more than 10% of the equity share capital of an Indian Company through Portfolio Investments. The 24% and 10% limit referred above may be increased to 49% and 24% respectively on passing of a Special Resolution by the Shareholders to that effect. Moreover, no single Foreign Institutional Investor may hold more than 10% of the shares of an Indian Company and no single Non-Resident Indian may hold more than 5% of the shares of an Indian Company.

Foreign institutional investors are urged to consult with their Indian legal and tax advisers about the relationship between the foreign institutional investor regulations and the ADSs and any equity shares withdrawn upon surrender of ADSs.

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, Every purchaser who acquires (directly or indirectly) more than 5% of the equity share capital at any point of time (the aggregate of the existing shares and the newly acquired shares) of a Listed Public Indian Company, is required to notify the Company within four days of such acquisition or receipt of allotment information and the Company in turn is required to notify all the stock exchanges on which the shares of the Company are listed with seven days.

Any purchaser whose proposed acquisition entitled him to hold 15% (the aggregate of the existing shares and the newly acquired shares) or more of such shares or a change in control of the Company, either by himself or with others acting in concert is required to make annual disclosures of the purchaser's holdings in the Company and to make an Open Offer to the other Shareholders offering to purchase at least 20% of all the outstanding shares of the Company at a minimum offer price as determined pursuant to the provisions of the regulations. A purchaser who holds between 15 % and 75 % of a Company's shares cannot acquire additional shares or voting rights that would entitle the purchaser to exercise an additional 5.% of the voting rights in any 12 month period unless such purchaser makes a public announcement offering to acquire an additional 20% of the Company's shares. Upon conversion of ADSs into equity shares, an ADS holder will be subject to the Takeover Code. The Takeover Code does not apply to purchases involving the acquisition of shares (i) by allotment in a public and rights issue, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of customers, (iv) in unlisted companies, (v) pursuant to a scheme of reconstruction or amalgamation or (vi) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Takeover Code does not apply to purchases in the ordinary course of business by public financial institutions either on their own account or as a pledgee. In addition, the Takeover Code does not apply to the purchase of ADSs so long as they are not converted into equity shares. However, since we are an unlisted Company, the provisions of the new regulations will not apply to us. If our shares are listed on an Indian stock exchange in the future, the new regulations will apply to the holders of our ADSs.

Open market purchases of securities of Indian companies in India by foreign direct investors or investments by non-resident Indians and foreign institutional investors above the ownership levels set forth above require Government of India approval on a case-by-case basis.

Voting Rights of Deposited Equity Shares Represented by ADSs

Holders of ADSs generally have the right under the deposit agreement to instruct the depository bank to exercise the voting rights for the equity shares represented by the related ADSs. At our request, the depository bank will mail to the holders of ADSs any notice of shareholders' meeting received from us together with information explaining how to instruct the depository bank to exercise the voting rights of the securities represented by ADSs.

If the depository bank timely receives voting instructions from a holder of ADSs, it will endeavour to vote the securities represented by the holder's ADSs in accordance with such voting instructions. In the event that voting takes place by a show of hands, the depository bank will cause the custodian to vote all deposited securities in accordance with the instructions received by holders of a majority of the ADSs for which the depository bank receives voting instructions.

Please note that the ability of the depository bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that ADS holders will receive voting materials in time to enable them to return voting instructions to the depository bank in a timely manner. Securities for which no voting instructions have been received will not be voted except as discussed above.

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

Under Indian law, the ADS holders have the right to vote on any general meetings either by show of hands or by poll only on becoming the Shareholder of the Company by converting the ADS into equity shares of the Company.

Taxation

Indian Taxation

General. The following relates to the principal Indian tax consequences for holders of ADSs and equity shares received upon withdrawal of such equity shares who are not resident in India, whether of Indian origin or not. We refer to these persons as non-resident holders. The following summary is based on the law and practices of the Income-tax Act,1961, or Income-tax Act including the special tax regime contained in Sections 115AC and 115 ACA of the Income-tax Act read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 or the Scheme, as amended. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income-tax Act

The Finance Act, 2012 included General Anti-Avoidance Rule (GAAR), wherein the tax authority may declare an arrangement as an impermissible avoidance arrangement if an arrangement is not entered at arm's length, results in misuse / abuse of provisions of Income Tax Act, 1961 lacks commercial substance or the purpose of arrangement is for obtaining a tax benefit. If any of our transactions are found to be 'impermissible avoidance arrangements' under GAAR, our business may be adversely affected.

The GAAR was originally proposed to become effective for transactions entered into on or after April 1, 2013. In September 2013, vide Notification No. 75, the Government of India had notified the applicability of the GAAR provisions along with certain threshold limits which will become effective from April 1, 2015. However vide Finance Act, 2015 the implementation of GAAR has been deferred by 2 years so as to implement it as part of a comprehensive regime to deal with OECD's BEPS project of which India is an active participant. Thus, GAAR provisions shall be applicable from fiscal 2018.

This section is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders under Indian law for the acquisition, ownership and sale of ADSs and equity shares. Personal tax consequences of an investment may vary for non-resident holders in various circumstances, and potential investors should therefore consult their own tax advisors on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under the law of the jurisdiction of their residence and any tax treaty between India and their country of residence.

Provisions of the Income Tax Act have been amended effective April 1, 2016 for determination of place of effective management (POEM) of a Company. Accordingly, Section 6(3) was amended to provide that a Company is said to be resident in India in any financial year if it is an Indian Company or its POEM in that year is in India. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance, made.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISORS WITH RESPECT TO INDIAN AND LOCAL TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs

Residence.

For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for a period or periods of at least 182 days; or at least 60 days and at least 365 days within the four preceding years.

The period of 60 days referred to above shall be read as 182 days (i) in case of a citizen of India who leaves India in a previous year for the purposes of employment outside of India or (ii) in the case of a citizen of India or a person of Indian origin living abroad who visits India or (iii) a member of crew of Indian ship.

Taxation of Distributions. Dividend income is currently exempt from tax for shareholders.

Up to fiscal 2013, the domestic companies were liable to pay a dividend distribution tax at the rate of 16.22% inclusive of applicable surcharge and education cess. The Finance Act, 2013 has increased the surcharge on dividend distribution tax from 5% to 10% which resulted in increase in the effective rate of dividend distribution tax to 16.995% as against 16.22% effective April 1, 2013. Any distributions of additional ADSs or equity shares to resident or non-resident holders will not be subject to Indian tax. The Finance Act, 2014 made an amendment in section 115-O, which requires grossing up of dividend amount distributed for computing DDT. As a result the effective rate of DDT increased from 16.995% to 19.994% inclusive of surcharge and cess. This was effective from October 1, 2014. Further as a result of increase in rate of surcharge in the Finance Act, 2015, the effective rate of DDT has increased to 20.3576% from 19.994%. However for fiscal year 2019 the Government has proposed to replace existing 3 per cent education cess with a 4 per cent 'Health and Education Cess' resulting in effective tax rate of 20.5553%. Further, the Government of India, through Finance Act, 2016, has introduced a tax on dividends accrued to non-corporate resident investors in excess of 1 million per annum at the rate of 10% (plus applicable surcharge and education cess). This is in addition to a dividend distribution tax payable by us. If the effective rate of a dividend distribution tax increases or new forms of taxes on distribution of profits is introduced, the dividend amount receivable by our shareholders after taxes may decrease. Any distributions of additional ADSs or equity shares to resident or non-resident holders will not be subject to Indian tax.

Minimum Alternate Tax. The Indian Government had introduced Section 115JA to the Income Tax Act which came into effect in April 1, 1997, to bring certain zero tax companies under the ambit of a Minimum Alternative Tax, or

MAT. If the tax on taxable income of a Company computed under this Act, in respect of a previous year is less than 18.5% of its book profits, the tax on total income of such Company for the relevant previous year shall be deemed to be an amount equal to 18.5% of such book profits. The Income tax Act provides that the MAT paid by the companies can be adjusted against its tax liability under the normal provisions of the Indian Income tax laws but limited to the extent that is over and above the tax computed under MAT provisions The Finance Act, 2015 has increased the surcharge to 12% from 10% which has resulted in the increase in the effective rate of MAT to 21.3416% from 20.9605% at present.

The Income Tax Act provides that the MAT paid by companies can be adjusted against its tax liability over the next fifteen years

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Taxation of Capital Gains. Any gain realized on the sale of ADSs by a non-resident holder to any non-resident outside India is not subject to Indian capital gains tax as it is not regarded as transfer by virtue of section 47(viia) of Indian Income tax laws which is prerequisite for taxing as capital gains.

Since our ADS offerings were approved by the Government of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, non-resident holders of the ADSs have the benefit of tax concessions available under Section 115AC. As a result, gains realized on the sale of ADSs will not be subject to Indian taxation. The effect of the Scheme in the context of Section 115AC is unclear as to whether such tax treatment is available to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon surrender of the ADSs. If concessional tax treatment is not available, gains realized on the sale of such equity shares will be subject to customary Indian taxation on capital gains as discussed below. The Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme provides that if the equity shares are sold on a recognized stock exchange in India against payment in Indian rupees, they will no longer be eligible for such concessional tax treatment.

Subject to any relief provided pursuant to an applicable tax treaty, any gain realized on the sale of equity shares to an Indian resident or inside India generally will be subject to Indian capital gains tax. However, the acquisition by non-resident holders of equity shares in exchange for ADSs will not be subject to Indian capital gains tax. .When the sale of equity shares is liable to capital gain tax the cost of acquisition for computing the tax is taken as the original cost of acquisition of the ADSs by virtue of the section 49(2A) of the Indian Income tax laws. Therefore, the original cost of acquisition of the ADSs may be treated as the cost of acquisition for the purposes of determining the capital gains tax. According to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, a non-resident holder's holding period for purposes of determining the applicable Indian capital gains tax rate in respect of equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the depository to the custodian. The India-U.S. Treaty does not provide an exemption from the imposition of Indian capital gains tax.

Under Section 115AC, taxable gain realized in respect of equity shares held for more than 12 months, or long-term gain, is subject to tax at the rate of 10.30% (excluding applicable surcharge). Taxable gain realized in respect of equity shares held for 12 months or less, or short-term gain, is subject to tax at variable rates with a maximum rate of 41.20% (excluding applicable surcharge). The actual rate of tax on short-term gain depends on a number of factors, including the country of residence of the non-resident holder and the type of income chargeable in India.

Withholding Tax on Capital Gains. Any taxable gain realized by a non-resident on the sale of ADSs or equity shares is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income Tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to Foreign Institutional Investors as defined in Section 115AD of the Income Tax Act on the transfer of securities defined in Section 115AD of the Income Tax Act.

Buy-back of Securities. Finance Act (No.2) 2014, introduced Section 115QA to tax the distributed income of domestic company on buy back of securities at an effective rate of 23.072%. Such tax will be paid by the company before distribution of buy back amount. Correspondingly exemption to shareholder under section 10(34A) is provided

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of 0.1% of the aggregate value of the shares issued, provided that the issue of dematerialized shares is not subject to Indian stamp duty. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares from the depository in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the redemption date. Similarly upon a sale of shares in physical form, stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date is payable, although customarily such duty is borne by the purchaser. Our equity shares, if and when issued and traded in dematerialized form, are not subject to Indian stamp duty.

Wealth Tax. The holding of the ADSs in the hands of non-resident holders and the holding of the underlying equity shares by the depository as a fiduciary will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisers in this context. Finance Act (No.2) 2014, abolished Wealth tax.

Gift Tax and Estate Duty. Indian gift tax was abolished in October 1998. In India, there is no estate duty law. As a result, no estate duty would be applicable in India. Non-resident holders are advised to consult their own tax advisors in this context. However, gift receipt by non-relatives or firms or closely held companies would be taxed as income in the hands of the recipient under the Income tax Act. Yet, gifts between non-residents (being transfers outside India) would not get taxed in India.

Service Tax Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares is subject to a service tax of 14.5% till May 31, 2016. The service tax has been increased to 15% effective June 1 2016. However this is effective till June 30, 2017 as Service tax is replaced by Goods and Service tax with effect from July 1, 2017. The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority

Income Tax Matters

The statutory corporate income tax rate and the surcharge thereon are subject to change in line with the changes announced in the Union Budget each year. From fiscal year 2015, the corporate income tax rate is 30%, subject to a surcharge of 12% where the taxable total income exceeds   10 crores and education cess of 2 % and 1% secondary and higher education cess, resulting in an effective tax rate of 34.61%. However for fiscal year 2019 the Government has proposed to replace existing 3 per cent education cess with a 4 per cent 'Health and Education Cess' resulting in effective tax rate of 34.94%. We cannot assure you that the current income tax rate will remain unchanged in the future. We also cannot assure you that the surcharge will be in effect for a limited period of time or that additional surcharges will not be levied by the Government of India. Until April 1, 2002, dividends declared, distributed or paid by an Indian corporation were subject to a dividend tax of 10.2%, including the applicable surcharge for fiscal 2002, of the total amount of the dividend declared, distributed or paid. This tax is not paid by shareholders nor is it a withholding requirement, but rather it is a direct tax payable by the corporation before distribution of a dividend. Effective April 1, 2002, Indian companies were no longer to be taxed on declared dividends. The Finance Act, 2003 proposed that after April 1, 2003, dividend income will be exempt from tax for shareholders and those domestic companies will be liable to pay a dividend distribution tax at the rate of 12.5% plus a surcharge and education cess at the time of the distribution. The Finance Act 2014 has increased the rate of dividend distribution tax to 15% plus applicable surcharge and education cess resulting in an effective rate of 20.358%. However for fiscal year 2019 the Government has proposed to replace existing 3 per cent education cess with a 4 per cent 'Health and Education Cess' resulting in effective tax rate of 20.555%.

Material United States Federal Income Tax Consequences

The following is a summary of certain material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs by U.S. holders (as defined below). This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder by the U.S. Department of the Treasury (the "Treasury Regulations"), rulings and decisions made by the U.S. Internal Revenue Service ("IRS") and judicial decisions thereon and existing interpretations thereof currently in effect, all of which are subject to change, possibly with retroactive effect, and any such change could affect the continued accuracy of this summary. Furthermore, this summary is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder of equity shares or ADSs in light of the holder's particular circumstances, or to certain types of holders subject to special treatment under the Code. Except where otherwise noted, this summary addresses only equity shares or ADSs held as capital assets for U.S. federal income tax purposes (generally, assets held for investment), and does not address holders subject to special U.S. federal income tax rules, such as banks or other financial institutions, insurance companies, brokers and dealers in securities or currencies, regulated investment companies, real estate investment trusts, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a straddle or as part of a hedging or conversion transaction for U.S. federal income tax purposes, persons that have a functional currency other than the U.S. dollar, persons subject to special tax accounting rules under Section 451(b) of the Code, or holders of 10% or more, by voting power or value, of our equity shares and ADSs, collectively. We have not requested and will not request a ruling from the IRS with respect to any of the U.S. federal income tax consequences as described herein, and as a result there can be no assurance that the IRS will not disagree with or challenge any conclusions we have reached and described herein.

This summary is not intended as a substitute for professional tax planning, particularly because certain of the U.S. federal income tax consequences of an investment in the Company may not be the same for all holders. In addition, this summary does not discuss any U.S. state, U.S. local or non-U.S. tax consequences, or any estate tax, gift tax or other estate planning aspects of such an investment, nor does it discuss the Medicare tax imposed on net investment income. Prospective investors are urged to consult with their own tax advisors with specific reference to their own tax situations under U.S. federal income tax law and the provisions of applicable U.S. state, U.S. local and non-U.S. tax laws, before investing in the Company.

Notably, in December 2017, the U.S. President signed into law the "Tax Cuts and Jobs Act," which significantly changes the U.S. federal income tax system. Although this summary takes into account provisions enacted under the Tax Cuts and Jobs Act, given the complexity of this new law and the lack of administrative guidance about its application, prospective investors should consult with their own tax advisors regarding its potential impact on the U.S. federal income tax consequences to them in light of their particular circumstances.

For purposes of this summary, "U.S. holders" are beneficial holders of equity shares or ADSs who or that are (i) individual citizens or residents of the United States, (ii) corporations (or other entities treated as corporations for U.S. federal income tax purposes) organized in or under the laws of the United States or any political subdivision thereof or therein, (iii) estates, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) trusts (a) for which a U.S. court exercises primary supervision and a U.S. person has the authority to control all substantial decisions or (b) that was in existence on August 20, 1996 and has validly made an election under applicable Treasury Regulations to be treated as a U.S. person. This summary is limited to U.S. holders who are not resident in India for purposes of the Convention between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Treaty").

If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, holds equity shares or ADSs, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding equity shares or ADSs should consult his, her or its own tax advisor regarding the consequences of an investment in the Company.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, U.S. STATE, U.S. LOCAL AND NON-U.S. TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs

Ownership of ADSs. For U.S. federal income tax purposes, a holder of an ADS will be treated as the owner of the underlying equity share represented by such ADS. Accordingly, deposits or withdrawals of equity shares for ADSs will not be subject to U.S. federal income tax.

Dividends. Subject to the discussion of the “passive foreign investment company” rules below, the gross amount of any distributions of cash or property with respect to ADSs or equity shares (before reduction for any Indian withholding taxes) generally will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any such distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles) such excess will be treated first as a tax-free return of capital to the extent of the U.S. holder's U.S. federal income tax basis in the equity shares or ADSs, and thereafter as capital gain.

Any dividends that a U.S. holder receives will be includable in such holder’s gross income as ordinary income on the day such holder actually or constructively receives them, in the case of equity shares, or the date of receipt by the Depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. Dividends paid by us generally will be non-U.S. source income for purposes of the U.S. “foreign tax credit” rules.

Subject to certain limitations, including certain limitations based on taxable income and filing status, and subject to certain minimum holding period requirements, dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a “qualified foreign corporation” for U.S. federal income tax purposes. A qualified foreign corporation includes a non-U.S. corporation if (1) its shares (including equity shares or ADSs) are readily tradable on an established securities market in the United States or (2) it is eligible for the benefits under a comprehensive income tax treaty with the United States. In addition, a corporation is not a qualified foreign corporation if it is a “passive foreign investment company” (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year. The ADSs are traded on the NASDAQ Capital Market. Due to the absence of specific statutory provisions addressing ADSs, however, there can be no assurance that we are a qualified foreign corporation solely as a result of our listing on the NASDAQ Capital Market. Nonetheless, we may be eligible for benefits under the Treaty, thereby enabling us to be treated as a qualified foreign corporation under the second prong described above. Each U.S. holder should consult his, her or its own tax advisor regarding the treatment of dividends and such holder's eligibility for a reduced rate of taxation.

Subject to various limitations, any Indian tax withheld from dividends in accordance with Indian law will be deductible or creditable against a U.S. holder's U.S. federal income tax liability. U.S. holders should not be entitled to a U.S. foreign tax credit for Indian withholding tax for any portion of such tax that could have been avoided by claiming benefits under the Treaty. The rules governing U.S. foreign tax credits are complex and involve the application of rules that depend on the particular circumstances of each U.S. holder. Therefore, each U.S. holder should consult his, her or its own tax advisor with respect to the availability of U.S. foreign tax credits to such U.S. holder's particular circumstances.

If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss, if any, resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is actually converted into U.S. dollars will be treated as U.S. source ordinary income or loss for purposes of the U.S. foreign tax credit rules.

Sale or Exchange of Equity Shares or ADSs. Subject to the discussion of the "passive foreign investment company" rules below, a U.S. holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis, determined in U.S. dollars, in the equity shares or ADSs, as applicable. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs were held for more than one year. Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes. Therefore, U.S. holders may not be able to use any U.S. foreign tax credit arising from any Indian tax imposed on the sale or exchange of equity shares or ADSs unless the credit can be applied (subject to applicable limitations) against tax due on other non-U.S. source income. The deductibility of capital losses is subject to limitations.

U.S. holders who receive any non-U.S. currency on the sale or exchange of equity shares or ADSs may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale or exchange of the equity shares or ADSs and the date the sale proceeds are converted into U.S. dollars.

Passive Foreign Investment Company. A non-U.S. corporation will be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes if either:

- 75% or more of its gross income for the taxable year is passive income; or
- on a quarterly average for the taxable year by value (or, if it is not a publicly traded corporation and so elects, by adjusted basis) 50% or more of its assets produce or are held for the production of passive income.

For the purposes of this test, such non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

We do not believe that we satisfy either of the tests for PFIC status, and this summary assumes that we will not be so classified. However, because this determination is made on an annual basis, no assurance can be given that we will not be classified as a PFIC in future taxable years. If we were to be classified as a PFIC for any taxable year, the U.S. federal income tax consequences discussed herein could be materially and adversely different for U.S. holders.

Backup Withholding Tax and Information Reporting Requirements. Dividends paid, if any, on equity shares or ADSs to a U.S. holder may be subject to information reporting and, unless a U.S. holder either furnishes its taxpayer identification number or otherwise establishes an exemption, may also be subject to U.S. backup withholding tax (currently at a rate of 24%). In addition, information reporting generally will apply to payments of proceeds from the sale, exchange, redemption or other disposition of equity shares or ADSs by a paying agent, including a broker, within the U.S. to a U.S. holder. A paying agent within the U.S. will be required to backup withhold on any payments of the proceeds from the sale or redemption of equity shares or ADSs within the United States to a U.S. holder if such U.S. holder fails to furnish its correct taxpayer identification number or otherwise fails to establish an exemption or comply with such backup withholding requirements. Backup withholding is not an additional tax and may be refunded (or credited against the U.S. holder's U.S. federal income tax liability, if any), provided that certain required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required.

Certain U.S. holders who are individuals may be required to report information relating to their ownership of an interest in certain "specified foreign financial assets," including stock of a non-U.S. entity, generally on IRS Form 8938 (Statement of Specified Foreign Financial Assets), subject to exceptions (including an exception for stock held through a U.S. financial institution). U.S. holders should consult their tax advisors regarding their reporting obligations with respect to our equity shares or ADSs.

The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to ownership of equity shares or ADSs. U.S. holders should consult their own tax advisor concerning the tax consequences to them under U.S. federal, U.S. state, U.S. local and applicable non-U.S. tax laws of the acquisition, ownership and disposition of equity shares or ADSs.

Documents on Display

This report and other information filed or to be filed by us can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials can also be obtained from the Public Reference Section of the SEC, 100 F Street, NE., Washington, DC 20549, at prescribed rates. Additionally, all of our publicly filed SEC reports are available at the SEC's website, www.sec.gov, which contains all the public filings and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Additionally, documents referred to in this Annual Report may be inspected at our corporate offices which are located at TIDEL Park. No, 4, Rajiv Gandhi Salai, Taramani, Chennai, 600 113 India.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

General

Market risk is the risk of loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments, foreign currency receivables, payables and debt. Our exposure to market risk is a function of our investment and borrowing activities and our revenue generating activities in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss.

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Risk Management Procedures

We manage market risk through a corporate treasury department, which evaluates and exercises independent control over the entire process of market risk management. Our corporate treasury department recommends risk management objectives and policies which are approved by senior management and our Audit Committee. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, and ensuring compliance with market risk limits and policies on a daily basis.

Refer to note 36 of the notes to consolidated financial statements to this Annual Report for further analysis and exposure arising out of credit risk, liquidity risk and currency risk

Item 12. Description of Securities Other Than Equity Securities

Item 12(d). American Depositary Shares

Citibank, N.A. (the “Depositary”) serves as the depositary for our ADSs, pursuant to that certain Deposit Agreement by and between the Company and the Depositary, dated as October 18, 1999, as amended from time to time. ADS holders are required to pay various fees to the Depositary and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. For purposes of this section, “Shares” means the Company’s equity shares.

The fees and charges payable by holders of our ADSs include the following:

(i) a fee not in excess of US $5.00 per 100 ADSs is charged for each issuance of ADS upon deposit of Shares, excluding certain issuances described below;

(ii) a fee not in excess of US $5.00 per 100 ADSs is charged for each surrender of ADSs, property and cash in exchange for the underlying deposited securities;

(iii) a fee not in excess of US $2.00 per 100 ADSs for each distribution of cash dividend or other cash distribution pursuant to the deposit agreement;

(iv) a fee not in excess of US $2.00 per 100 ADSs for the distribution of ADSs pursuant to stock dividends or other free distributions or an exercise of rights; and

(v) a fee not in excess of $5.00 per 100 ADSs for depositary services.

Additionally, under the terms of our deposit agreement, the depositary is entitled to charge each registered holder, beneficial owner, persons depositing Shares and person surrendering ADS for cancellation and for the purpose of withdrawing deposited securities the following:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of shares or other deposited securities on the share register and applicable to transfers of shares or other deposited securities to or from the name of the custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing shares or holders and beneficial owners of ADSs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares, deposited securities, ADSs and ADRs; and

(vi) the fees and expenses incurred by the Depositary in connection with the delivery of deposited securities.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Company may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

Amendment to the Depositary Agreement with Citibank NA. New York.

By Letter dated October 4, 2016, the Company has executed an amendment to the Letter Agreement dated February 17, 2009 with Citibank N.A., New York wherein the Depository Service Fees was reduced from USD 0.025 to USD 0.015 per ADS per year. Further, the agreement with the Citibank was also extended until March 31, 2020.

As per the amendment agreement, Citibank will make available to the Company an Annual Financial Contribution for each Programme Year equal to 33% of the Depositary Service Fee collected from the ADS holders and the Contribution will be used by the Company solely to defray Program Related Expenses.

Direct and Indirect Payments by the Depositary to Sify

Pursuant to the Deposit Agreement with Citibank N.A, we received the following payments from Citibank during the fiscal year ended March 31, 2018 in connection with our ADS Program:

Fee	Amount in US $
Financial Audit Fees	286,902
Legal Counsel Fees	78,590
Investor Relations	277,768
Printing/mailing/processing	18,417
Text Conversion charges & others	7,000
Annual Fee for ADRs	120,000
Total amount reimbursed	788,677

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

Item 15. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 20-F, our management, with the participation of our CEO, Chairman, Managing Director and Chief Financial Officer, has carried out an evaluation of the effectiveness of our disclosure controls and procedures. The term "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well conceived and operated, can only provide reasonable assurance that the objectives of the disclosure controls and procedures are met.

Based on their evaluation as of March 31, 2018, our CEO, Chairman and Managing Director and Chief Financial Officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that material information related to us and our consolidated subsidiaries is accumulated and communicated to management, including the CEO, Chairman, Managing Director and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure

Management's annual report on internal control over financial reporting

1) Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets.
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

2) Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2018. In conducting its assessment of internal control over financial reporting, management based its evaluation on the framework in Internal Control — Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management has concluded that our internal control over financial reporting was effective as of March 31, 2018.

3)

Our independent registered public accounting firm, ASA & Associates LLP, has audited the consolidated financial statements included in this Annual Report on Form 20-F, and as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting as of March 31, 2018.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Sify Technologies Limited

Opinion on Internal Control over Financial Reporting

We have audited Sify Technologies Limited's ("the Company") internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company and subsidiaries as of March 31, 2018 and March 31, 2017 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three year period ended March 31, 2018 and the related notes (collectively referred to as the 'financial statements') and our report dated June 20, 2018 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. Federal Securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether

effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ASA & Associates LLP

Independent Registered Public Accounting Firm

Chennai, India

June 20, 2018

Changes in internal control over financial reporting

During the period covered by this Annual Report, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16A. Audit Committee financial expert

Mr. C. B. Mouli, a member of our audit committee, has been deemed “independent” per the applicable SEC and NASDAQ rules. The Board of Directors has determined that Mr Mouli is the “audit committee financial expert” as defined by the applicable rules of the SEC. See Item 6 for description of Mr. Mouli’s relevant experience.

Item 16 B. Code of Ethics

The Company has adopted a Code of Conduct and Conflict of Interest Policy that is applicable to all employees. The text of the policy was filed as an Exhibit under Item 19 to the Annual Report for the year ended March 31, 2005. This policy is available on our corporate website http://sifytechnologies.com/investors/company-profile/code-of-conduct/.

We have also adopted a written Code of Ethics, as defined in Item 406 of Regulation S-K, applicable to our principal executive officer, principal financial officer, principal accounting officer and all officers working in our finance, accounting, treasury, tax, legal, purchase, investor relations functions, disclosure committee members and senior management, as well as members of the audit committee and the board of directors. This policy is available in our http://sifytechnologies.com/investors/company-profile/code-of-conduct/. We will post any amendments to, or waivers from, our Code of Ethics at that location on our website.

Our Audit Committee has also adopted a Whistleblower Policy wherein it has established procedures for receiving, retaining and treating complaints received, and procedures for the confidential, anonymous submission by employees of complaints regarding questionable accounting or auditing matters, conduct which results in a violation of law by Sify or in a substantial mismanagement of Company resources. Under this policy, our employees are encouraged to report questionable accounting matters, any reporting of fraudulent financial information to our shareholders, the government or the financial markets any conduct that results in a violation of law by Sify to our management (on an anonymous basis, if employees so desire). Under this policy, we have prohibited discrimination, retaliation or harassment of any kind against any employee who, based on the employee's reasonable belief that such conduct or

practices have occurred or are occurring, reports that information or participates in an investigation.

We have also adopted a Code of Conduct, applicable to all officers, directors and employees. The Code of Conduct is available on our website, http://sifytechnologies.com/investors/company-profile/code-of-conduct/.

Item 16C. Principal Accountant Fees and Services

The following table sets forth for the fiscal years indicated the fees paid to our principal accountant and its associated entities for various services provided to us in these periods.

Type of service	Fiscal year ended march 31, 2018	march 31, 2017
(a) Audit Fees	5.60 million	5.40 million
(b) Audit Related Fees	-	-
(c) Tax Fees	-	-
(d) All Other Fees	-	-

Our Audit Committee requires pre-approval of all audit and permissible non-audit services to be performed for the Company by its independent auditors, subject to the de-minims exception for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange act of 1934.

Item 16D. Exemptions from the Listing Standards for Audit Committees

We have not sought any exemption from the listing standards for audit committees applicable to us as foreign private issuer, pursuant to Rule 10(A)-3(d) of the Securities Exchange Act of 1934.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16 G. Corporate Governance

NASDAQ Marketplace Rule 5615(a) (3) provides that a foreign private issuer may follow its home country practice in lieu of the requirements of Rule 5600 series, provided such foreign private issuer shall disclose in its annual reports filed with SEC or on its website each requirement that it does not follow and describe the home country practice followed by the issuer in lieu of such requirements.

Under the NASDAQ Marketplace Rule 5620 (c), companies, other than limited partnerships, that maintain a listing on NASDAQ are required to provide for a quorum as specified in its by-laws for any meeting of its stockholders, and in no case shall the quorum be less than 33-1/3% of the outstanding shares of a Company's common voting stock. In India, the requirement for a quorum is the presence of at least five shareholders in person. Our Articles of Association provide that a quorum for a General Meeting of our shareholders is constituted by the presence of at least five shareholders in person. Hence, we do not meet the quorum requirements under Rule 5620 (c), and instead we follow our home country practice. Under the NASDAQ Marketplace Rule 5620 (b), companies, other than limited partnerships, that maintain a listing on NASDAQ are required to solicit proxies and provide proxy statements for all meetings of shareholders and also provide copies of such proxy solicitation to NASDAQ. However, the SEC proxy rules are not applicable to us, since we are a foreign private issuer, and Section 176 of the Indian Companies Act prohibits a Company incorporated under that Act from soliciting proxies. Because we are prohibited from soliciting proxies under Indian law, we will not meet the proxy solicitation requirement of Rule 5620 (b). However, as described above, we give written notices of all our shareholder meetings to all the shareholders and we also file such notices with the SEC. With regard to issuance of securities, we also comply with the home country regulations.

Item 16 H. Mine SAFETY disclosure

Not Applicable

PART III

Item 17. Financial Statements

See Item No 18

Item 18. Financial Statements

Consolidated Statements and other Financial Information

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Sify Technologies Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Sify Technologies Limited and its subsidiaries ('the Company') as of March 31, 2018 and 2017 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three year period ended March 31, 2018 and the related notes (collectively referred to as the 'financial statements').

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sify Technologies Limited and its subsidiaries as of March 31, 2018 and 2017 and the results of their operations and their cash flows for each of the years in the three year period ended March 31, 2018, 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) ('PCAOB'), Sify Technologies Limited's internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 20, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for opinion

These 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. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. Federal Securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

ASA & Associates LLP

Independent Registered Public Accounting Firm

We have served as the Company's auditor since year ended March 31, 2011.

Chennai, India
June 20, 2018

Sify Technologies Limited

Consolidated Statement of Financial Position

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

	Note	As at March 31, **2018**	As at March 31, 2017	As at March 31, 2018 Convenience translation into US$ thousands Note 2(c)
Assets				
Property, plant and equipment	5	7,213,421	6,622,081	110,908
Intangible assets	6	582,512	559,102	8,956
Lease prepayments	8	1,344,845	1,017,623	20,677
Other assets	9	1,108,532	1,121,872	17,044
Other investments	14	145,718	74,653	2,240
Deferred tax assets	10	-	-	-
Total non-current assets		10,395,028	9,395,331	159,825
Inventories	11	645,848	1,181,987	9,930
Trade and other receivables, net	12	10,713,886	8,781,692	164,728
Prepayments for current assets	13	419,221	290,779	6,446
Restricted cash	7	296,275	262,907	4,555
Cash and cash equivalents	7	1,991,846	1,621,358	30,625
Total current assets		14,067,076	12,138,723	216,284
Total assets		24,462,104	21,534,054	376,109
Equity	15			
Share capital		1,518,413	1,516,875	23,346
Share premium		18,694,030	18,680,731	287,424
Share based payment reserve		309,695	305,539	4,762
Other components of equity		33,635	26,798	517
Accumulated deficit		(11,550,820)	(12,265,524)	(177,596)
Total equity attributable to equity holders of the Company		9,004,953	8,264,419	138,453

Sify Technologies Limited

Consolidated Statement of Financial Position

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

	Note	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018 Convenience translation into US$ thousands Note 2(c)
Liabilities				
Finance lease obligations, other than current installments	16	96,879	185,736	1,490
Borrowings	19	2,013,688	881,834	30,961
Employee benefits	17	147,480	127,298	2,268
Other liabilities	18	983,152	636,566	15,116
Total non-current liabilities		3,241,199	1,831,434	49,835
Finance lease obligations, current installments	16	89,086	333,483	1,368
Borrowings	19	1,472,177	2,529,244	22,635
Bank overdraft	7	2,121,537	991,161	32,619
Trade and other payables	20	7,361,091	6,367,607	113,178
Deferred income	21	1,172,061	1,216,706	18,021
Total current liabilities		12,215,952	11,438,201	187,821
Total liabilities		15,457,151	13,269,635	237,656
Total equity and liabilities		24,462,104	21,534,054	376,109

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

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Sify Technologies Limited

Consolidated Statement of Income

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

	Note	Year ended March 31,			Year ended March 31, 2018 Convenience translation into US$ thousands Note2(c)
		2018	2017	2016	
Revenue					
- Rendering of services		19,109,169	17,033,322	14,098,582	293,806
- Sale of products		1,576,444	1,398,698	936,314	24,238
Total	22	20,685,613	18,432,020	15,034,896	318,044
Cost of goods sold and services rendered					
- Rendering of services		(12,103,596)	(9,806,582)	(8,288,714)	(186,095)
- Sale of products		(1,331,354)	(2,063,639)	(815,150)	(20,470)
Total	24	(13,434,950)	(11,870,221)	(9,103,864)	(206,565)
Other income		189,738	145,872	104,885	2,918
Selling, general and administrative expenses	25	(4,394,814)	(3,991,273)	(3,479,287)	(67,571)
Depreciation and amortization	5 & 6	(1,754,537)	(1,758,776)	(1,598,037)	(26,976)
Profit from operating activities		1,291,050	957,622	958,593	19,850
Finance income	28	129,325	122,584	45,437	1,988
Finance expenses	28	(496,780)	(437,109)	(565,712)	(7,638)
Net finance income / (expense)		(367,455)	(314,525)	(520,275)	(5,650)
Profit before tax		923,595	643,097	438,318	14,200
Income tax (expense) / benefit	10	(194)	(698)	135	(3)
Profit for the year		923,401	642,399	438,453	14,197
Attributable to:					
Equity holders of the Company		923,401	642,399	438,453	14,197
Non-controlling interest			-	-	-
		923,401	642,399	438,453	14,197
Earnings per share	29				
Basic earnings per share		6.14	4.45	3.11	0.09
Diluted earnings per share		6.11	4.45	3.10	0.09

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

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Sify Technologies Limited

Consolidated Statement of Comprehensive Income

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

	Year ended March 31,			
	2018	2017	2016	2018 Convenience translation into US$ thousands Note 2(c)
Profit for the year	923,401	642,399	438,453	14,197
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the net defined benefit liability/asset	5,379	(17,034)	1,391	83
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	1,458	(7,663)	13,442	23
Total other comprehensive income, net of taxes	6,837	(24,697)	14,833	106
Total comprehensive income	930,238	617,702	453,286	14,303
Total comprehensive income attributable to:				
Equity holders of the Company	930,238	617,702	453,286	14,303
Non-controlling interest		-	-	
	930,238	617,702	453,286	14,303

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, 2018

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, 2017	1,516,875	18,680,731	305,539	26,798	(12,265,524)	8,264,419	-	8,264,419
Total comprehensive income for the year	-	-	-	6,837	923,401	930,238	-	930,238
Transactions with owners, recorded directly in equity								
Call money received	-	-	-	-	-	-	-	-
Shares issued on exercise of ESOP	1,538	10,631	-	-	-	12,169	-	12,169
Dividends paid (incl dividend distribution tax)	-	-	-	-	(208,697)	(208,697)	-	(208,697)
Transferred from share based payment reserve	-	2,668	(2,668)	-	-	-	-	-
Share-based payment transactions	-	-	6,824	-	-	6,824	-	6,824
Balance at March 31, 2018	1,518,413	18,694,030	309,695	33,635	(11,550,820)	9,004,953	-	9,004,953

For year ended March 31, 2017

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, 2016	1,423,125	18,474,481	287,901	51,495	(12,736,171)	7,500,831	-	7,500,831
Total comprehensive income for the year	-	-	-	(24,697)	642,399	617,702	-	617,702
Transactions with owners, recorded directly in equity								
Call money received	93,750	206,250	-	-	-	300,000	-	300,000
Dividends paid (incl dividend distribution tax)	-	-	-	-	(1,69,742)	(1,69,742)	-	(1,69,742)
Transaction costs related to equity	-	-	-	-	(2,010)	(2,010)	-	(2,010)

Share-based payment transactions	-	-	17,638	-	-	17,638	-	17,638
Balance at March 31, 2017	1,516,875	18,680,731	305,539	26,798	(12,265,524)	8,264,419	-	8,264,419

For year ended March 31, 2016

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, 2015	1,423,125	18,474,481	235,915	36,662	(13,004,882)	7,165,301	-	7,165,301
Total comprehensive income for the year	-	-	-	14,833	438,453	453,286	-	453,286
Transactions with owners, recorded directly in equity								
Call money received	-	-	-	-	-	-	-	-
Dividends paid (incl dividend distribution tax)	-	-	-	-	(1,69,742)	(1,69,742)	-	(1,69,742)
Share-based payment transactions	-	-	51,986	-	-	51,986	-	51,986
Balance at March 31, 2016	1,423,125	18,474,481	287,901	51,495	(12,736,171)	7,500,831	-	7,500,831

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

Sify Technologies Limited

Consolidated Statements of Cash Flows

For the fiscal years ended March 31,

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

	Year ended March 31,			
	2018	2017	2016	2018 Convenience translation into US$ thousands (Unaudited) Note 2(c)
Profit for the year	923,401	642,399	438,453	14,197
Adjustments for:				
Depreciation and amortization	1,754,537	1,758,776	1,598,037	26,976
(Gain) / loss on sale of property, plant and equipment	(2,553)	(1,081)	(1,617)	(39)
Provision for doubtful receivables/ advances	370,000	383,534	182,161	5,689
Provision for expenses no longer required written back	-	-	(49,910)	-
Stock compensation expense	6,824	17,638	51,986	105
Net finance (income) / expense	367,455	314,525	520,275	5,650
Unrealized (gain)/ loss on account of exchange differences	(1,863)	(68,300)	31,035	(29)
Amortization of leasehold prepayments	21,728	15,939	14,649	334
Tax expense	194	698	(135)	3
Cash flow from operating activities before working capital changes	3,439,723	3,064,128	2,784,934	52,886
Change in trade and other receivables	(2,220,619)	(1,843,683)	(946,189)	(34,142)
Change in inventories	536,139	(440,555)	(508,338)	8,243
Change in other assets	(518,958)	(618,297)	19,211	(7,979)
Change in trade and other payables	604,701	1,379,505	1,347,140	9,297
Change in employee benefits	29,060	26,500	16,796	447
Change in deferred income	296,574	172,920	220,551	4,560
Cash generated from operations	2,166,620	1,740,518	2,934,105	33,312
Income taxes (paid)/ refund received	(46,016)	7,965	(491,443)	(708)
Net cash from / (used in) operating activities	2,120,604	1,748,483	2,442,662	32,604

Sify Technologies Limited

Consolidated Statements of Cash Flows

For the fiscal years ended March 31,

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

	Year ended March 31,			
	2018	**2017**	**2016**	2018 Convenience translation into US$ thousands (Unaudited) Note 2(c)
Cash flows from / (used in) investing activities				
Acquisition of property, plant and equipment	(1,668,979)	(1,596,694)	(1,484,292)	(25,660)
Expenditure on intangible assets	(163,507)	(72,050)	(128,705)	(2,514)
Proceeds from sale of property, plant and equipment	2,425	2,281	1,695	37
Investments in corporate debt securities	(71,093)	(72,943)	-	(1,093)
Finance income received	106,850	129,427	45,251	1,643
Net cash from / (used in) investing activities	(1,794,304)	(1,609,979)	(1,566,051)	(27,587)
Cash flows from / (used in) financing activities				
Proceeds from issue of share capital (including share premium)	12,169	300,000	-	187
Proceeds from / (repayment) of borrowings (net)	42,719	643,341	700,882	657
Transaction costs related to equity		(2,010)	-	
Finance expenses paid	(491,293)	(426,696)	(567,874)	(7,554)
Proceeds from / (repayment of) finance lease liabilities	(402,954)	(602,806)	(543,580)	(6,195)
Payment of dividend and dividend distribution tax	(208,697)	(169,742)	(169,741)	(3,209)
Net cash from / (used in) financing activities	(1,048,056)	(257,913)	(580,313)	(16,114)
Net increase / (decrease) in cash and cash equivalents	(721,756)	(119,409)	296,298	(11,097)
Cash and cash equivalents at April 1	893,104	1,016,113	720,651	13,732
Effect of exchange fluctuations on cash held	(4,764)	(3,600)	(836)	(73)
Cash and cash equivalents at March 31	166,584	893,104	1,016,113	2,562

Refer note 3 (c) and note 7 for the composition of cash and cash equivalents.

Supplementary information				
Additions to property, plant and equipment represented by finance lease obligations	69,700	168,715	510,783	1,072

The amendment to IAS 7 requires disclosure relating to changes in liabilities arising from financing activities – Refer note below

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

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Note: Reconciliation of liabilities from financing activities

Particulars	As at April 01, 2017	Cash flow	Non cash movement			As at March 31, 2018
			Assets acquired on lease	Foreign exchange movement	Fair value changes	
Borrowings	3,411,078	42,719		45,568	(13,500)	3,485,865
Finance lease obligations	519,219	(402,954)	69,700	-	-	185,965
Total	3,930,297	(360,235)	69,700	45,568	(13,500)	3,671,830

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’) is a Company domiciled in India. The address of the Company’s registered office is 2nd Floor, TIDEL Park, 4, Rajiv Gandhi Salai, Taramani, Chennai – 600113, India. The Company and its subsidiaries Sify Technologies (Singapore) Pte. Limited, Sify Technologies North America Corporation, Sify Data and Managed Services Limited and Sify Infinit Spaces Limited (are together referred to as the ‘Group’ and individually as ‘Group entities’). The Group offers converged ICT solutions comprising telecom-centric services, Data Center-centric IT services which includes Data Center services, cloud and managed services, applications integration services and technology integration services. The Company was incorporated on December 12, 1995 and is listed on the NASDAQ Capital Market. The financial statements are for the Group consisting of Sify Technologies Limited (the 'Company') and its subsidiaries.

2. Basis of preparation

a. Statement of compliance

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

These Consolidated Financial Statements have been approved for issue by the Board of Directors on June 20, 2018

b. Basis of measurement

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

· Financial assets at fair value through other comprehensive income are measured at fair value

- Non-current asset held for sale measured at lower of carrying value and fair value less costs to sell.
- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.
- Share-based payments
- The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.
- In relation to lease prepayments, the initial fair value of the security deposit is estimated as the present value of the refundable amount, discounted using the market interest rates for similar instruments. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment.

The above items have been measured at fair value and the methods used to measure fair values are discussed further in Note 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. The U.S. dollar is the functional currency of Sify's foreign subsidiaries located in Singapore and the US.

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, 2018 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, 2018, for cable transfers in Indian rupees as published by the Reserve Bank of India which was 65.04 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, 2018 or at any other date.

d. Use of estimates and judgments

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Application of accounting policies that require critical accounting estimates, judgments and assumptions having the most significant effect on the amounts recognized in the financial statements are**:**

- Useful lives of property, plant and equipment (Note 3 e and Note 5)
- Useful lives of intangible assets (Note 3 g and Note 6)
- Lease classification (Note 3 h, 8, 16 and 30)
- Determination of percentage completion in construction contracts (Note 3 j)
- Measurement of the recoverable amounts of cash-generating units containing goodwill (Note 3 k and Note 6)

· Utilization of tax losses (Note 10)
· Measurement of defined employee benefit obligations (Note 17)
· Measurement of share-based payments (Note 27)
· Valuation of financial instruments (Note 3 c, 4, 35 and 36)
· Provisions and contingencies (Note 3 n and 32)

3. Significant accounting policies

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

a. Basis of consolidation

The financial statements of the Group companies are consolidated on a line-by-line basis. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. These financial statements are prepared by applying uniform accounting policies in use at the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Company controls an investee if and only if the Company has all the following:

- power over the investee;

- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect the amount of the Company's returns.

Generally, there is a presumption that majority of voting rights results in control. To support this presumption and when the Group has less than a majority of voting of similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

b. Foreign currency

(i) Foreign currency transactions and balances

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

(ii) Foreign operations

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

c. Financial instruments

(i) Financial Assets

Financial assets comprises of investments in equity and debt securities, trade and other receivables, cash and cash equivalents and other financial assets.

Initial recognition:

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement:

Financial assets measured at amortized cost:

Financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using effective interest rate (EIR) method. The EIR amortisation is recognised as finance income in the Statement of Income.

The Group while applying above criteria has classified the following financial assets at amortised cost

- Trade receivables

- Other financial assets.

- Investment in debt securities

Financial assets at fair value through other comprehensive income (FVTOCI):

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at FVTOCI. Fair value movements in financial assets at FVTOCI are recognised in other comprehensive income.

Equity instruments held for trading are classified as at fair value through profit or loss (FVTPL). For other equity instruments the Group classifies the same as at FVTOCI. The classification is made on initial recognition and is irrevocable. Fair value changes on equity investments at FVTOCI, excluding dividends, are recognised in other comprehensive income (OCI).

Financial assets at fair value through profit or loss (FVTPL):

Financial asset are measured at fair value through profit or loss if it does not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income. All fair value changes are recognised in the Statement of Income.

Derecognition of financial assets:

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition. On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in the Statement of Income.

Impairment of financial assets:

Trade receivables, contract assets, lease receivables under IFRS 9, investments in debt instruments that are carried at amortised cost, investments in debt instruments that are carried at FVTOCI are tested for impairment based on the expected credit losses for the respective financial asset.

Trade receivables

An impairment analysis is performed at each reporting date. The expected credit losses over lifetime of the asset are estimated by adopting the simplified approach using a provision matrix which is based on historical loss rates reflecting current condition and forecasts of future economic conditions. In this approach assets are grouped on the basis of similar credit characteristics such as industry, customer segment, past due status and other factors which are relevant to estimate the expected cash loss from these assets.

Other financial assets

Other financial assets are tested for impairment based on significant change in credit risk since initial recognition and impairment is measured based on probability of default over the lifetime when there is significant increase in credit risk.

(ii) Financial liabilities

Financial liabilities are initially recognised at fair value and any transaction cost that are attributable to the acquisition of the financial liabilities except financial liabilities at fair value through profit or loss which are initially measured at fair value.

Subsequent measurement:

The financial liabilities are classified for subsequent measurement into following categories:

- at amortised cost

- at fair value through profit or loss

Financial liabilities at amortised cost

The Group is classifying the following financial liabilities at amortised cost;

a) Borrowings

b) Finance lease obligations

c) Trade and other payables

d) Other financial liabilities

Amortised cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading are measured at FVTPL.

Derecognition of financial liabilities:

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

(iii) Derivative financial instruments

Foreign exchange forward contracts and options are entered into by the Group to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. The group also enters into cross currency interest rate swaps for hedging the risk against variability in cash flows of its term loan.

These derivative contracts do not qualify for hedge accounting under IFRS 9, and are initially recognized at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognized immediately in profit or loss.

(iv) Offsetting of Financial Assets and Financial Liabilities

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

(v) Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are categorised as equity instruments at FVTOCI and financial assets or liabilities that are specifically designated as FVTPL. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the

business model are expected to be very infrequent. The management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

d. Share capital

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

e. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchases taxes, after deducting trade discounts and rebates and includes expenditure directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Interest cost incurred for constructed assets is capitalized up to the date the asset is ready for its intended use, based on borrowings incurred specifically for financing the asset or the weighted average rate of all other borrowings, if no specific borrowings have been incurred for the asset.

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

The cost of assets not put to use as on balance sheet date are disclosed under Construction-in-progress.

(i) Subsequent costs

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

(ii) Depreciation

Depreciation is recognized in the consolidated statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Management's estimated useful lives for the years ended March 31, 2018, 2017 and 2016 were as follows:

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

Depreciation is not recorded on construction-in-progress until construction and installation are complete and the asset is ready for its intended use.

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

f. Business combinations

(i) Business combinations

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

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

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

The acquisition of an asset or a group of assets that does not constitute a ‘business’ as per IFRS 3 is accounted for by identifying and recognizing the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to such individual identifiable assets and liabilities on the basis of their relative fair values on the date of purchase.

(ii) Goodwill

Goodwill represents the cost of a business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), the Group reassesses the identification and measurement of identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of acquisition, and recognizes any remaining excess in profit or loss immediately on acquisition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

g. Other intangible assets

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

(i) Subsequent expenditure

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

(ii) Amortization of intangible assets with finite useful lives

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

	Estimate of useful life in years
Software	Not exceeding 3 years
Technical know-how	5 years
License fees	20 years
Bandwidth Capacity	12 years
Portals and web development cost	5 years
Customer related intangibles	5 years

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

h. Leases

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

Assets taken on finance lease:

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

Assets taken on operating lease:

Other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless such payments are structure in line with the expected general inflation to compensate for the lessors expected inflationary cost increases.

Assets given on finance lease:

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

Assets given on operating lease:

Assets given on operating lease are depreciated over the useful life of the assets. Rental income is recognised in the statement of income on a straight line basis over the lease term.

Deposits provided to lessors:

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

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

Indefeasible Right of Use (IRU)

The Company has entered into IRU arrangements which entitle the company to right of use of specified bandwidth capacity for a specified period of time. Such right is being treated as operating lease since the risks and rewards are not transferred to the Company. Hence, the upfront payments made towards right of use of bandwidth capacities under such agreements have been treated as prepayments and is amortized over the term of the contract.

i. Inventories

Inventories comprising traded hardware and software are measured at the lower of cost (determined using first-in first-out method) and net realizable value. Cost comprises cost of purchase and all directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

j. Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be billed to customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billing and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group’s contracts and activities based on normal operating capacity. Percentage completion is measured based on the amount of time/effort spent on a project.

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

k. Impairment

Non-financial assets

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

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

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

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

Reversal of impairment loss

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

l. Employee benefits

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

(a) Defined contribution plan (Provident fund)

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Group makes specified monthly contribution towards Government administered provident fund scheme. The Group also contributes to 401(K) plan on behalf of eligible employees. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit and loss in the periods during which the related services are rendered by employees.

(b) Defined benefit plans (Gratuity)

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

The discount rate is the yield at the reporting date on risk free government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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

(c) Short term benefits

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

(d) Compensated leave of absence

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

m. Share-based payment transactions

The fair value of options on grant date, (equity-settled share based payments) granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the options are vested. The increase in equity recognized in connection with a share based payment transaction is presented as a separate component in equity. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest. In respect of options whose terms and conditions are modified, the Group includes the incremental fair value of the options in the measurement of the amounts recognized for services received from the employees. The

incremental fair value is the difference between the fair value of the modified option and that of the original option both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

n. Provisions

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

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

o. Revenue Recognition

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

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

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

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

(i) Telecom Services

Revenue from Telecom services include Data network services and Voice services. Telecom services primarily include revenue from connectivity services, NLD/ILD services and to a lesser extent, revenues from the installation of connectivity links. The group provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work.

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

(ii) Data Center Services:

Revenue from DC services consists co-location of racks and power charges. The contracts are mainly for a fixed rate for a period of time and are recognised over the period during which the service is provided.

(iii) Cloud and Managed Services:

Revenue from Cloud and managed services include revenue from Cloud and storage solutions, managed services, value added services and International managed services. Revenues from Cloud and on demand compute and storage, are primarily fixed for a period of time. Revenues from domestic and international managed services, comprise of value added services, operations and maintenance of projects and from remote infrastructure management. Contracts from this segment are fixed and could also be based on time and material contracts where revenue is recognised on percentage completion method. The stage of completion is measured by efforts spent to estimated total efforts on straight line basis over the term of the contract.

(iv) Technology Integration Services:

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

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

(v) Applications Integration Services:

Revenue from Applications Integration services include online assessment, document management services, web development, mailing solutions, digital certificate based authentication services, supply chain software and eLearning software development services. eLearning software development services consist of structuring of content, developing modules, delivery and training users in the modules developed. Revenue from Applications Integration Services is recognised based on percentage of completion method. Percentage completion is measured based on the amount of time/effort spent on a project. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

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

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

Multiple deliverable arrangements

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

Income from operating leases:

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

Indefeasible Right of Use (IRU)

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

(iii) Deferred income

Deferred income represents unserviced portion of billed contracts.

p. Finance income

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

q. Finance expense

Finance expense comprises borrowing costs, bank charges, unwinding of discount on provision, fair value losses on financial assets at fair value through profit or loss that are recognized in Statement of Income. Fair value changes attributable to hedged risk are recognised in the Statement of Income.

Borrowing costs

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

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

r. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Minimum Alternate Tax (MAT) is accounted as current tax when the Company is subjected to such provisions of the Income Tax Act. However, credit of such MAT paid is available when the Company is subjected to tax as per normal provisions in the future. Credit on account of MAT is recognized as a deferred tax asset based on the management's estimate of its recoverability in the future.

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

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

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

s. Earnings per share

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

t. Recent accounting pronouncements

(i) Standards early adopted by the Group

IFRS 9 Financial instruments: In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income.

IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new Presentation and disclosure requirements. The effective date for adoption of IFRS 9 is annual periods beginning on or after January 1, 2018, though early adoption is permitted. Effective April 1, 2015, the Group has elected to early adopt IFRS 9.

(ii) New Standards and interpretations not yet adopted

IFRS 15 Revenue from Contracts with Customers: In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15, Revenue from Contracts with Customers.

The core principle of the new standard is that an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method. The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2018, the Group will adopt the standard with effect from April 1, 2018 by using the cumulative effect transition method and accordingly comparatives will not be retrospectively adjusted. The effect on adoption of IFRS 15 on Statement of Profit and Loss is not expected to be significant and the Group will recognise the effect of initial application in the opening retained earnings as per the transitional provisions prescribed under this Standard.

IFRS 16 leases: IFRS 16 on lease was issued on January 13, 2016 and is effective from the year January 1, 2019. The standard replaces all existing lease accounting requirements and represents a significant change in accounting and reporting of leases, with more assets and liabilities to be reported on the Statement of Financial Position and a different recognition of lease costs. The Group is currently evaluating the effect of the standard on the consolidated financial statements.

IFRIC 22 Foreign currency transactions and advance consideration: IFRIC 22 was issued on December 8, 2016 which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The effective date for adoption of IFRIC 22 is annual reporting periods beginning on or after January 1, 2018. The Group will adopt the amendment with effect from April 1, 2018, the Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

IFRIC 23 Uncertainty over Income Tax Treatments: IFRIC 23 was issued on June 7, 2017 to clarify the accounting for uncertainties in income taxes. The effective date for adoption of IFRIC 23 is annual reporting periods beginning on or after January 1, 2019, though early adoption is permitted. The Group is currently evaluating the effect of the same on the consolidated financial statements.

Amendments to IFRS 2, Share-based payment: In June 2016, the International Accounting Standards Board issued the amendments to IFRS 2, providing specific guidance for measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. The effective date for adoption of the amendments to IFRS 2 is annual reporting periods beginning on or after January 1, 2018, though early adoption is permitted. The Group has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

Amendments in IAS 19 – Employee Benefits: In February 2018, the IASB issued amendments to IAS 19 – "Employee Benefits" regarding plan amendments, curtailments and settlements. The amendments in Plan Amendment, Curtailment or Settlement are as follows;

a)If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement;

b) In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

The above amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted but must be disclosed.

The Company is currently evaluating the impact of these amendments on its 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 value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The fair value hierarchy is described as below:

Level 1 - unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is an estimated amount for which a property could be exchanged on the date of acquisition in an orderly transaction between market participants. 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 is determined by reference to their quoted price at the reporting date. In the absence of quoted price, the fair value of the financial asset is measured using valuation techniques.

(v) Trade and other receivables

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

(vi) Derivatives

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

(vii) Non derivative financial liabilities

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

(viii) Share-based payment transactions

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

5. Property, plant and equipment

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

Particulars	Cost				Accumulated depreciation				Carrying
	As at April 1, 2017	Additions	Disposals	As at March 31, 2018	As at April 1, 2017	Depreciation for the year	Deletions	As at March 31, 2018	amount as at March 31, 2018
Building	2,301,987	-	-	2,301,987	557,439	82,183	-	639,622	1,662,365
Plant and machinery	11,585,120	795,351	86,695	12,293,776	7,864,346	1,174,083	21,059	9,017,370	3,276,406
Computer equipment	1,162,259	251,022	5,465	1,407,816	834,398	177,345	5,373	1,006,370	401,446
Office equipment	496,015	106,953	1,175	601,793	281,432	65,808	1,216	346,024	255,769
Furniture and fittings	1,093,544	157,940	650	1,250,834	753,209	112,623	897	864,935	385,899
Vehicles	9,656	-	-	9,656	3,656	2,400	-	6,056	3,600
Total	16,648,581	1,311,266	93,985	17,865,862	10,294,480	1,614,442	28,545	11,880,377	5,985,485
Add: Construction in progress									1,227,936
Total	16,648,581	1,311,266	93,985	17,865,862	10,294,480	1,614,442	28,545	11,880,377	7,213,421

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

Particulars	Cost				Accumulated depreciation				Carrying
	As at April 1, 2016	Additions	Disposals	As at March 31, 2017	As at April 1, 2016	Depreciation for the year	Deletions	As at March 31, 2017	amount as at March 31, 2017
Building	2,301,987	-	-	2,301,987	475,256	82,183	-	557,439	1,744,548
Plant and machinery	10,137,059	1,464,523	16,462	11,585,120	6,610,485	1,269,064	15,203	7,864,346	3,720,774
Computer equipment	951,508	217,549	6,798	1,162,259	702,371	138,736	6,709	834,398	327,861
Office equipment	386,702	110,001	688	496,015	228,987	53,127	682	281,432	214,583
Furniture and fittings	1,028,880	68,328	3,664	1,093,544	661,001	95,872	3,664	753,209	340,335
Vehicles	2,456	7,200	-	9,656	2,456	1,200	-	3,656	6,000

Total	14,808,592	1,867,601	27,612	16,648,581	8,680,556	1,640,182	26,258	10,294,480	6,354,101
Add: Construction in progress									267,980
Total	14,808,592	1,867,601	27,612	16,648,581	8,680,556	1,640,182	26,258	10,294,480	6,622,081

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The following table presents the changes in property, plant and equipment during the year ended March 31, 2016

Particulars	Cost As at April 1, 2015	Additions	Disposals	As at March 31, 2016	Accumulated depreciation As at April 1, 2015	Depreciation for the year	Deletions	As at March 31, 2016	Carrying amount as at March 31, 2016
Building	1,993,085	308,902	-	2,301,987	401,073	74,183	-	475,256	1,826,731
Plant and machinery	8,340,520	1,801,093	4,554	10,137,059	5,374,508	1,240,531	4,554	6,610,485	3,526,574
Computer equipment	790,631	198,488	37,611	951,508	649,977	89,929	37,535	702,371	249,137
Office equipment	286,141	101,010	449	386,702	203,319	26,117	449	228,987	157,715
Furniture and fittings	755,409	273,864	393	1,028,880	591,561	69,833	393	661,001	367,879
Vehicles	2,456	-	-	2,456	2,456	-	-	2,456	-
Total	12,168,242	2,683,357	43,007	14,808,592	7,222,894	1,500,593	42,931	8,680,556	6,128,036
Add: Construction in progress									1,99,854
Total	12,168,242	2,683,357	43,007	14,808,592	7,222,894	1,500,593	42,931	8,680,556	6,327,890

Leased assets

The Group’s leased assets include certain buildings, plant and machinery acquired under finance leases. As at March 31, 2018 the net carrying amount of buildings, plant and machinery and vehicles acquired under finance leases is 172,704 (March 31, 2017: 183,022), 375,884 (March 31, 2017: 718,162) and Nil (March 31, 2017: Nil) respectively. During the year, the Group acquired leased assets of 69,700 (March 31, 2017: 168,715).

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, 2018 and March 31, 2017, the Company had committed to spend approximately 1,032,695 and 1,044,509 respectively, under agreements to purchase property, plant and equipment.

Construction in progress

Amounts paid towards acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment that are not ready to be put into use are disclosed under construction-in-progress.

Capitalisation of expenses

The Company has capitalized expenses amounting to Nil (March 31, 2017: Nil) which are directly attributable to the construction of building.

Security

As at March 31, 2018 property, plant and equipment with a carrying amount of 5,428,499 (March 31, 2017: 5,444,659) are subject to a registered charge to secure bank borrowings.

6. Intangible assets

Intangible assets comprise the following:

	March 31, 2018	March 31, 2017	March 31, 2016
Goodwill	14,595	14,595	14,595
Other intangible assets	567,917	544,507	591,051
	582,512	559,102	605,646

(i) Goodwill

The following table presents the changes in goodwill during the years ended March 31, 2018 and 2017

	March 31, 2018	March 31, 2017
Balance at the beginning of the year	14,595	14,595
Effect of movement in exchange rates	-	-
Impairment loss recognized during the year	-	-
Net carrying amount of goodwill	14,595	14,595

The amount of goodwill as at March 31, 2018 and March 31, 2017 has been allocated to the Applications Integration Services segment.

(ii) Other intangibles

The following table presents the changes in intangible assets during the years ended March 31, 2018, 2017 and 2016.

	Bandwidth Capacity	Software	License fees	Total
(A) Cost				
Balance as at March 31, 2015	576,508	557,026	73,000	1,206,534
Acquisitions during the year	65,883	62,822	-	1,28,705
Disposals during the year	-	-	-	-
Balance as at March 31, 2016	642,391	619,848	73,000	1,335,239
Acquisitions during the year	-	72,050	-	72,050

Disposals during the year	-	-	-	-
Balance as at March 31, 2017	642,391	691,898	73,000	1,407,289
Acquisitions during the year	-	163,505	-	163,505
Disposals during the year	-	-	-	-
Balance as at March 31, 2018	6,42,391	855,403	73,000	1,570,794
(B) Amortization				
Balance as at March 31,2015	140,591	483,097	23,056	646,744
Amortization for the year	50,407	44,387	2,650	97,444
Impairment loss on intangibles	-	-	-	-
Balance as at March 31, 2016	190,998	527,484	25,706	744,188
Amortization for the year	56,396	59,548	2,650	118,594
Impairment loss on intangibles	-	-	-	-
Balance as at March 31, 2017	247,394	587,032	28,356	862,782
Amortization for the year	56,895	80,550	2,650	140,095
Impairment loss on intangibles	-	-	-	-
Balance as at March 31, 2018	304,289	667,582	31,006	1,002,877
(C) Carrying amounts				
As at March 31, 2016	451,393	92,364	47,294	591,051
As at March 31, 2017	394,997	104,866	44,644	544,507
As at March 31, 2018	338,102	187,821	41,994	567,917

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

Capital commitments

The Company had not committed to spend any amount under agreements to purchase intangible assets during the year ending March 31, 2018 and 2017.

Capitalized borrowing costs

The Company had not capitalized any interest cost during years ended March 31, 2018 and 2017.

7. Cash and cash equivalents

Cash and cash equivalents as per consolidated statement of financial position, as at March 31, 2018 amounted to 1,991,846 (March 31, 2017: 1,621,358). This excludes cash-restricted of 296,275 (March 31, 2017: 262,907), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

(a) Restricted cash

	March 31, 2018	March 31, 2017	March 31, 2016
Current			
Bank deposits held under lien against borrowings / guarantees from banks / Government authorities	296,275	262,907	345,328
Total restricted cash	296,275	262,907	345,328
(b) Non restricted cash			
Current			
Cash and bank balances	1,991,846	1,621,358	1,390,552
Total cash (a+b)	2,288,121	1,884,265	1,735,880
Bank overdraft used for cash management purposes	(2,121,537)	(991,161)	(719,767)
Cash and cash equivalents for the statement of cash flows	166,584	893,104	1,016,113

8. Lease prepayments

	March 31, 2018	March 31, 2017
Towards land and buildings*	1,344,845	1,017,623
	1,344,845	1,017,623

* Includes 1,321,247 (March 2017: 988,599) paid for acquiring leasehold rights of land for construction of Data Centers.

The prepayment towards land is amortized over the period of the lease on a straight line basis. In respect of buildings under operating lease, prepayments are amortized over the lease term on a straight line basis.

9. Other assets

Non current	March 31, 2018	March 31, 2017
Other deposits and receivables	1,108,532	1,121,872
	1,108,532	1,121,872
Financial assets included in other assets	360,378	213,424

10. Deferred tax assets and liabilities

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

Recognized deferred tax assets / (liabilities)	Assets / (liabilities)	
	March 31, 2018	March 31, 2017
Deferred tax assets		
Property, Plant and Equipment	294,626	259,470
	294,626	259,470
Deferred tax liabilities		
Intangible assets	(148,106)	(127,280)
Finance Lease obligations	(146,520)	(132,190)
	(294,626)	(259,470)
Net deferred tax asset recognized in balance sheet	-	-

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

Movement in temporary differences during the year

	Balance as at April 1, 2016	Recognized in income statement	Recognized in Equity	Balance as at March 31, 2017	Recognized in income statement	Recognized in Equity	Balance as at March 31, 2018
Property, plant and equipment	243,502	15,968	-	259,470	35,156	-	294,626
Intangible assets	(121,317)	(5,963)	-	(127,280)	(20,826)	-	(148,106)
Finance Lease obligations	(122,185)	(10,005)	-	(132,190)	(14,330)	-	(146,520)
	-	-	-	-	-	-	-

Unrecognized deferred tax assets / (liabilities)

	As at March 31, 2018	As at March 31, 2017
Deductible temporary differences	251,989	233,501
Unrecognized tax losses	536,815	876,297
	788,804	1,109,798

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

Sec.79 of the Indian Income Tax Act denies carry forward of losses incurred in earlier years in case of change in the beneficial interest in the shares outstanding by more than 51%. As a result of the private placement of shares during the year ended March 31, 2011, there was a change in the registered shareholders by more than 51%. The above provision is not applicable to companies in which public are substantially interested. Sec. 2(18) of the Indian Income Tax Act, among other things, defines a company listed in a recognized Stock Exchange in India as a Company in which public are substantially Interested. Based on the non-discrimination clause available in the India - United States of America tax treaty, when the capital of the company is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Country, the company shall not be subjected to more burdensome position than the similar enterprises of the Contracting Country. Based on the above clause, the Company being listed in US Stock Exchange should not be discriminated for being not listed in India and be treated on par with a Company listed in India. Hence, the Company believes that it is out of the purview of Sec.79 of the Indian Income Tax Act. Further as disclosed in Item 7 of this Annual Report, there has been no change in the beneficial ownership of Shares by more than 51% compared to earlier years and the Board of Directors of the Company have continued to be the same. Hence based on the advice, the Company believes that it can carry forward and set-off the above losses incurred by it in earlier years.

Income tax expense recognized in profit or loss

	March 31, 2018	March 31, 2017	March 31, 2016
Current tax expense / (benefit)			
Current period	194	698	(135)
Deferred tax expense			
Origination and reversal of temporary differences	-	-	-
Reversal of previously recognized tax losses	-	-	-
Total income tax expense / (benefit)	194	698	(135)

There are no income taxes directly recognized in other comprehensive income.

Reconciliation of effective tax rate

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

	Year ended March 31, 2018		Year ended March 31, 2017		Year ended March 31, 2016	
Profit before income taxes	923,595		643,097		438,318	
Enacted tax rates in India	34.61	%	34.61	%	34.61	%
Computed expected tax expense / (benefit)	319,638		222,563		151,693	
Effect of:						
Share based payment expense not deductible for tax purposes	1,609		2,919		8,657	
Unrecognised deferred tax assets on losses incurred during the year (net of temporary differences, if any)	-		-		16,476	
Unrecognized deferred tax asset on temporary differences	26,086		(20,812	)	(18,067	)
Difference on account differential tax rates in different jurisdictions	(201	)	(723	)	(212	)
Expenses/income not taxable	(860	)	(2,562	)	(2,751	)
Recognition of previously unrecognized tax losses	(346,078	)	(200,687	)	(155,931	)
	194		698		(135	)

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11. Inventories

	March 31, 2018	March 31, 2017
Trade inventories	645,848	1,181,987
	645,848	1,181,987

The inventories amounting to 645,414 (March 31, 2017: 1,154,013) are secured in connection with bank borrowings and overdraft.

12. Trade and other receivables

Trade and other receivables comprise:

	March 31, 2018	March 31, 2017
(i) Trade receivables, net	8,820,579	6,950,563
(ii) Other receivables including deposits	1,890,372	1,820,501
(iii) Construction contract related accruals	2,935	10,628
	10,713,886	8,781,692

(i) Trade receivables as of March 31, 2018 and March 31, 2017 are stated net of allowance for doubtful receivables. The Group maintains an allowance for doubtful receivables based on expected credit loss model. 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 36. Trade receivables consist of:

	March 31, 2018	March 31, 2017
Trade receivables from related parties	-	-
Other trade receivables	9,029,796	7,184,753
	9,029,796	7,184,753
Less: Allowance for doubtful receivables	(209,217)	(234,190)
Balance at the end of the year	8,820,579	6,950,563

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

For the year ended

	March 31, 2018	March 31, 2017
Balance at the beginning of the year	234,190	209,065
Add : Additional provision, net	370,000	383,534
Less : Bad debts written off	(394,973)	(358,409)
Balance at the end of the year	209,217	234,190

(ii) Other receivables comprises of the following items:

	March 31, 2018	March 31, 2017
Advances and other deposits (Refer Note (a) below)	544,171	540,233
Withholding taxes (Refer Note (b) below)	1,346,201	1,280,268
	1,890,372	1,820,501
Financial assets included in other receivables	48,141	101,098

Notes:

a) Advances and other deposits primarily comprises of receivables in the form of deposits, sales tax/VAT, GST, 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.

13. Prepayments for current assets

Prepayments for current assets comprise of the following:

	March 31, 2018	March 31, 2017
Prepayments for purchase of bandwidth	179,035	86,862
Prepayments related to insurance	1,064	8,123
Prepayments-others	217,035	178,531
Lease prepayments	22,087	17,263
	419,221	290,779

14. Other investments

Other Investments comprise investment in unquoted equity instruments classified as financial assets at FVTOCI and investment in unquoted debt securities classified as financial assets at amortised cost. The details of such investments are given below:

	March 31, 2018	March 31, 2017
Investment in equity instruments – unquoted		
Investment in equity shares of Vashi Railway Station Commercial Complex Limited	150	150
Investment in equity shares of Sarayu Clean Gen Private Limited	1,560	1,560
Investment in debt securities – unquoted		
Investment in Attala Systems Corporation #	144,008	72,943
	145,718	74,653

Unsecured convertible promissory note of $2214 with Attala Systems Corporation, of which $ 750 (47,945), $ 375(23,973), $375 (23,973), $ 500 (31,964) and $ 214 (16,153) matures on 17th October 2019, 4th January 2020, 4th April 2020, 30th October 2020 and 1st January 2021 respectively. The note bears interest at a rate of five percent (5%). The promissory note is convertible to equity securities under specific terms based on triggering events as defined in the agreement.

15. Equity

No of shares

	Year ended March 31,		
	2018	2017	2016
Issued as at April 01	178,530,787	178,530,787	178,530,787
Issued for cash	-	-	-
Issued for consideration other than cash	-	-	-
Exercise of share options	153,860	-	-
Issued as at March 31	178,684,647	178,530,787	178,530,787

In fiscal 2015, the authorized share capital of the Company was enhanced by an amount of 189,000. Consequently the authorized share capital is increased to 2,040,000 divided into 204,000,000 Equity Shares, having a par value 10 per share. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to vote at meetings of the Group.

All shares rank equally with regard to Group's residual assets. 125,000,000 Equity shares are 7.75 (March 31, 2017: 7.75) paid up per share.

The directors recommended a dividend of 1.2 per paid up Equity Share of 10 each for the year 2017-18 (2016-17: 1.2 per paid up Equity share of 10 each) and is subject to approval by the shareholders at the Annual General Meeting to be held on July 6, 2018. This will involve a cash outflow of 180,672 towards dividend and 37,138 towards dividend distribution tax aggregating a total outflow of 217,809 (Previous year: 173,398 towards dividend and 35,300 towards dividend distribution tax aggregating a total outflow of 208,698).

Also refer note 37 – Issue of share on private basis to existing promoter group and Note 27 – Share-based payment

Share based payment reserve

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

Other components of equity:

a) Translation reserve

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

b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investments classified as at FVTOCI until the investments are derecognized or impaired.

c) Recognized actuarial gain / loss

Recognized actuarial gain / loss represent the cumulative actuarial gain / loss recognized in other comprehensive income and presented within equity.

16. Finance lease obligations

The Group leases routers and other equipment under finance lease arrangements. The following is a schedule of future minimum finance lease commitments as at March 31, 2018:

	March 31, 2018			March 31, 2017		
	Future minimum lease payments	Interest	Present value minimum lease payments	Future minimum lease payments	Interest	Present value minimum lease payments
Less than one year	104,916	15,830	89,086	367,620	34,137	333,483
Between one and five years	105,386	8,507	96,879	210,026	24,290	185,736
Total	210,302	24,337	185,965	577,646	58,427	519,219

17. Employee benefits

	March 31, 2018	March 31, 2017
Gratuity payable	99,120	89,114
Compensated absences	48,360	38,184
	147,480	127,298

Gratuity cost

The components of gratuity costs recognized in the consolidated income statement for the years ending March 31, 2018, March 31, 2017 and March 31, 2016 consist of the following:

	March 31, 2018	March 31, 2017	March 31, 2016
Service cost	29,577	19,154	16,215
Interest cost	7,518	6,880	6,178
Interest income	(1,418)	(2,667)	(2,590)
	35,677	23,367	19,803

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

	March 31, 2018	March 31, 2017
Present value of projected benefit obligation at the end of the year	131,687	109,826
Funded status of the plans	(32,567)	(20,712)
Recognized (asset) / liability	99,120	89,114

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

Change in defined benefit obligation	March 31, 2018	March 31, 2017	March 31, 2016
Projected benefit obligation at the beginning of the year	109,826	91,801	79,038
Service cost	29,577	19,154	16,215
Interest cost	7,518	6,880	6,178
Remeasurements - Actuarial (gain) / loss	(6,872)	2,250	(1,325)
Benefits paid	(8,362)	(10,259)	(8,305)
Projected benefit obligation at the end of the year	131,687	109,826	91,801

Change in plan assets	March 31, 2018	March 31, 2017	March 31, 2016
Fair value of plan assets at the beginning of the year	20,712	35,589	33,135
Interest income	1,418	2,667	2,590
Remeasurements – return on plan assets excluding amounts included in interest income	(1,493)	(14,785)	66
Employer contributions	20,292	7,500	8,103
Benefits paid	(8,362)	(10,259)	(8,305)

Fair value of plan assets at the end of the year	32,567	20,712	35,589
Actual return on plan assets	(75)	(12,118)	2,656

Actuarial assumptions at end of the year:

The principal actuarial assumptions as on March 31, 2018, 2017 and 2016 were as follows:

	March 31, 2018		March 31, 2017		March 31, 2016	
Discount rate	7.30	% P.a	6.85	% P.a	7.50	% P.a
Long-term rate of compensation increase	7.00	% P.a	7.00	% P.a	7.00	% P.a
Expected long term rate of return on plan assets	7.00	% P.a	7.00	% P.a	8.00	% P.a
Average future working life time	4.38 years		4.39 years		4.40 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.

Contributions: The Group expects to contribute 124,991 (March 31, 2017: 20,000) to its gratuity fund during the year ending March 31, 2018.

The expected benefit payments to be made in the next few years are as under:

Year	March 31, 2018	March 31, 2017
1 Year	24,983	19,534
2 to 5 years	79,348	66,704
6 to 10 years	56,595	45,103
More than 10 years	34,386	28,171

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

	March 31, 2018	March 31, 2017
Funds managed by insurers	100 %	100 %

Remeasurements of the net defined benefit liability recognized in other comprehensive income

Amount recognized in other comprehensive income for the years ending March 31, 2018, 2017 and 2016 are as follows:

	March 31, 2018	March 31, 2017	March 31, 2016
Remeasurements of the net defined benefit liability			
Actuarial (gain)/loss			
- Change in demographic assumptions	-	-	-
- change in financial assumptions	(2,806)	3,271	1,250
- experience variance	(4,066)	(1,021)	(2,575)
- return on plan assets, excluding amounts recognized in net interest expense/ income	1,493	14,784	(66)
	(5,379)	17,034	(1,391)

Sensitivity Analysis of significant actuarial assumption

Sensitivity analysis for the defined benefit obligations will increase/ decrease by the amounts mentioned below if there is a variation of 100 basis points in the discount rate and salary escalation rate.

	Discount rate		Salary escalation rate	
	Increase by 100 bps (‘000s)	Decrease by 100 bps (‘000s)	Increase by 100 bps (‘000s)	Decrease by 100 bps (‘000s)
Present Value of Defined Benefit Obligation	125,822	138,070	137,805	125,915

The present value of defined benefit obligation has been arrived at using the same method as is used for valuing the defined benefit obligation as per the current assumptions. The increase/decrease in defined benefit obligation has been arrived assuming the other assumptions are constant though such increase/decrease do not happen in isolation in real scenarios.

Contributions to defined contribution plans

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Group contributed 102,340, 85,006 and 73,902 for the years ended March 31, 2018, 2017 and 2016. The Group has contributed to 401(K) plan on behalf of eligible employees amounting to 8,692 (March 31, 2017: 9,728) during the year ended March 31, 2018.

18. Other liabilities

	March 31, 2018	March 31, 2017
Deferred income and other liabilities	983,152	636,566
	983,152	636,566
Financial liabilities included in other liabilities	207,046	201,679

19. Borrowings

	March 31, 2018	March 31, 2017
Current		
Term bank loans (Refer note 1 below)	387,810	260,632
Other working capital facilities (Refer note 2 below)	476,245	1,645,971
Borrowings from others (Refer note 3 below)	608,122	622,641
	1,472,177	2,529,244
Non current		
Term bank loans (Refer note 1 below)	1,157,173	660,473
Borrowings from others (Refer note 3 below)	856,515	221,361
	2,013,688	881,834

The Group has borrowings which include:

1. The term loans bear interest rate ranging from 3.50% to 4.50% plus 6 months LIBOR in the case of Foreign currency term loans and 8.65 % to 9.50% for others (March 31, 2017 - 9.30 % to 12.00%) and repayable in equal quarterly installments within a tenor of 3 to 5 years after moratorium periods ranging from 6 months to one year in certain cases.

This also includes Buyers' credit of 479,201 which are repayable over a period of 1 to 3 years. The loans bear interest rate ranging from 2.8% to 3.2%

Of total balance, an amount of 87,500 is primarily secured by charge on movable fixed assets funded by term loan and also collaterally secured by extension of EM of title deeds of property at Noida in the name of M/s Pace Info Com Park Pvt Ltd (Merged with the Sify from 1st April 2014). An amount of 592,940 is primarily secured by EM of title deeds of property of the company at Rabale at Mumbai and plant and machinery at Rabale Data Center 4th floor and the balance 55,417 is secured by property at Vashi in Mumbai.

2. Working capital facilities:

(a) Cash credit facilities amounting to 2,597,825 bank guarantees and all non fund facilities availed by the Group are primarily secured by way of pari-passu first charge on the entire current assets of the Group to all working capital bankers under consortium.

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(b) In addition to the above, out of these Cash Credit facilities,

(i) exposure amounting to 1,697,575 is collaterally secured by way of pari-passu charge on the unencumbered movable fixed assets of the Group, both present and future.

(ii) exposure amounting to 1,223,195 is collaterally secured by way of equitable mortgage over the properties at TIDEL Park, Chennai and Vashi, Vile Parle at Mumbai

(iii) exposure amounting to 900,250 is collaterally secured by equitable mortgage over the land and building at Noida, Uttar Pradesh and

(iv) the exposure amounting to 388,493 is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

(c) These working capital facilities bear interest ranging from 4.15% to 9.25% p.a. [March 31, 2017 – 4.15% to 11.50% p.a.] and these facilities are subject to renewal annually.

3. Borrowings from others include secured borrowings, that are secured against relevant assets and unsecured borrowings. These loans carry an interest rate ranging from 9% p.a to 12.50% p.a. (March 31, 2017 - 9.00% p.a to 12.50% p.a.)

20. Trade and other payables

	March 31, 2018	March 31, 2017
Trade payables	2,865,626	2,740,550
Advance from customers	285,611	375,810
Accrued expenses	3,644,004	2,707,123
Other payables	565,850	544,124
	7,361,091	6,367,607
Financial liabilities included in trade and other payables	6,780,747	5,684,900

21. Deferred income

	March 31, 2018	March 31, 2017
Deferred income	1,172,061	1,216,706
	1,172,061	1,216,706

22. Revenue

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Rendering of services			
Service revenue*	13,703,004	13,284,271	12,393,645
Installation service revenue	5,406,165	3,749,051	1,704,937
	19,109,169	17,033,322	14,098,582
Sale of products	1,576,444	1,398,698	936,314
	20,685,613	18,432,020	1,50,34,896

* Including revenue arising from construction contracts (refer to note 23) and revenue from operating leases amount to 211,990 (March 31, 2018), 394,100 (March 31, 2017) and 391,500 (March 31, 2016) (refer to note 30)

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23. Construction contracts in progress

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Contract revenue recognized for the year	-	-	21,852
Aggregate amounts of costs incurred and recognized profits (less recognized losses) upto the reporting date for contracts in progress	-	-	48,315
Amount of retentions	-	-	-
Gross amount due from customers for contract work presented as an asset	-	-	48,315

24. 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.

25. Selling, general and administrative expenses

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Personnel expenses	1,441,496	1,236,206	1,057,439
Marketing and promotion expenses	301,072	278,638	288,164
Administrative and other expenses*	2,652,246	2,476,429	2,133,684
	4,394,814	3,991,273	3,479,287

* Includes net foreign exchange loss of Nil, Nil and 6,218 for the years ended March 31, 2018, 2017 and 2016 respectively

26. Personnel expenses

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Salaries and wages	2,391,957	1,995,635	1,756,945
Contribution to provident fund and other funds	146,709	118,101	93,706
Staff welfare expenses	22,006	28,236	16,698
Employee stock compensation expense	6,824	17,638	51,986
	2,567,496	2,159,610	1,919,335
Attributable to cost of goods sold and services rendered	1,126,000	923,404	861,896
Attributable to selling, general and administrative expenses	1,441,496	1,236,206	1,057,439

27. 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, ASOP 2007 and ASOP 2014. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007 plans as at March 31, 2018. Our stock option plans are detailed as under:

Associate Stock Option Plan 2014

In July 2014, the Shareholders of the Group approved a new scheme for allotment of stock options to employees, the Associate Stock Option Plan 2014. 25,000,000 shares are reserved for this plan. Consequently 5,870,800 options were granted to the employees on January 20, 2015. The Group has granted additional 150,000 , 525,000 and 184,300 options to employees during the year 2017-18, 2016-17 and 2015-16 respectively.

The options vest in the following manner:

4,304,600 Options (Option Plan I): 3/5th of the options vest at the end of one year from the date of grant. The remaining 2/5th vests at the end of every half year during second and third years from the date of grant in four equal instalments

487,700 Options (Option Plan II): 2/5th of the options vest at the end of one year from the date of grant. The remaining 3/5th vests at the end of every half year during second, third and fourth years in six equal instalments

1,937,800 Options (Option Plan III): 2/5th of the options vest at the end of two years from the date of grant. The remaining 3/5th vests at the end of every half year during third, fourth and fifth years in six equal instalments.

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 2014 and ASOP 2007 Plan is as follows:

No. of options granted, exercised and forfeited	Number of options 2018	Weighted average exercise price in 2018	Number of options 2017	Weighted average exercise price in 2017	Number of options 2016	Weighted average exercise price in 2016
Outstanding at the beginning of the year	5,837,400	73.55	5,665,800	79.10	5,870,800	79.10
Granted during the year	150,000	146.23	525,000	58.69	184,300	79.10
Forfeited during the year	(653,100)	79.10	(353,400)	79.10	(389,300)	79.10
Expired during the year	-	-	-	-	-	-
Exercised during the year	(153,860)	79.10	-	-	-	-
Outstanding at the end of the year	5,180,440	78.79	5,837,400	73.55	5,665,800	79.10
Exercisable at the end of the year	4,340,070	79.00	3,711,130	79.14	2,544,180	79.10

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. Share prices for the year 2011-12 have been eliminated in determining volatility as there had been extra ordinary price movements during the said period on account of capital infusion by promoters. Dividend yield of the options is based on the recent dividend activity. Risk-free interest rates are based on the Government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in the future periods, stock compensation expense could be materially impacted in future years.

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

A summary of information about fixed price stock options outstanding with respect to ASOP 2014 is furnished below:

As at	**Range of exercise price in**	Number outstanding at March 31	**Weighted average exercise price in**	Weighted average remaining contractual life	Number exercisable at March 31	**Weighted average exercise price In**
March 31, 2018	57.66 - 146.23	5,180,440	57.66 - 146.23	0.06 - 4.81 years	4,340,070	78.79
March 31, 2017	60.60 – 82.00	5,837,400	60.60 – 82.00	1.80 – 5.79 years	3,711,130	79.14

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

Grant date	Jan 18, 2018
Category	Category III
Current market price	162.51
Exercise price	146.23
Expected term	2-5 years
Volatility	53.15% to 97.76%
Dividend yield	12%
Discount rate	3%

28. Financial income and expense

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Interest income on bank deposits	25,168	26,463	28,015
Others	104,157	96,121	17,422
Finance income	129,325	122,584	45,437
Interest expense on lease obligations	31,169	88,138	126,434
Bank charges (including letter of credit, bill discounting and buyer's credit charges)	92,332	93,698	126,339
Interest expense on borrowings	373,279	255,273	312,939
Finance expense	(496,780)	(437,109)	(565,712)
Net finance income / (expense) recognized in profit or loss	(367,455)	(314,525)	(520,275)

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29. Earnings per share

The calculation of basic earnings per share for the years ended March 31, 2018, 2017 and 2016 is based on the profit / (loss) attributable to ordinary shareholders of 923,401, 642,399 and 438,453 respectively and a weighted average number of shares outstanding of 150,417,470, 144,498,253 and 141,030,787 respectively, calculated as follows:

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Net profit – as reported	923,401	642,399	438,453
Weighted average number of shares – basic	150,417,470	144,498,253	141,030,787
Basic earnings per share	6.14	4.45	3.11
Weighted average number of shares – diluted	151,064,039	144,498,253	141,395,346
Diluted earnings per share	6.11	4.45	3.10

Weighted average number of ordinary shares basic

	Year ended March 31,		
	2018	2017	2016
Issued fully paid ordinary shares at April 01	53,530,787	53,530,787	53,530,787
Effect of shares issued on exercise of stock options	11,683		
Effect of partly paid shares (Note 1)	9,687,5000	90,967,466	87,500,000
Weighted average number of equity shares and equivalent shares outstanding	150,417,470	144,498,253	141,030,787

Weighted average number of ordinary shares diluted

	Year ended March 31,		
	2018	2017	2016
Weighted average number of ordinary shares (basic)	150,417,470	144,498,253	141,030,787
Effect of stock options (Note 2)	646,569	-	364,559
Weighted average number of equity shares outstanding (diluted)	151,064,039	144,498,253	141,395,346

Note 1: During the year ended March 31, 2011, 125,000,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2018, these shares were partly paid up to the extent of 7.75

(March 31, 2017 : 7.75) per share. Refer note 15.

Note 2: The Group has issued Associated Stock Options (ASOP 2014 - Refer Note 27) of which 51,80,440 options are outstanding as at March 31, 2018. These could potentially dilute basic earnings per share in the future but are not included in calculation of diluted earnings per share during the financial year March 31, 2017 as they are anti-dilutive.

30. 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 463,283, 424,829 and 400,026 for the years ended March 31, 2018, 2017 and 2016 respectively. The schedule of future minimum rental payments in respect of operating leases is set out below:

As at March 31, 2018

Lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
Non-cancellable operating lease obligations	990,859	112,358	491,948	386,553

As at March 31, 2017

Lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
Non-cancellable operating lease obligations	1,102,328	111,469	477,441	513,418

Operating lease income:

The company has given plant and machinery under operating lease arrangements to its customers the period of which are generally up to 5 years. The schedule of minimum lease rental incomes in respect of these operating lease arrangements are given below:

	As at March 31, 2018	**As at March 31, 2017**
Receivables not later than one year	17,472	207,266
Receivables later than one year and not later than five years	27,853	23,746
	45,325	231,012

31. Segment reporting

The operating segments of the Group are as under:

Telecom-centric services - Domestic data, international data wholesale voice and network managed services

Data Center-centric IT Services

Data Center services**:** Co-location services

Cloud and managed services*:* IT infra services, IT transformation services, remote and onsite infrastructure managed services and delivery platforms

Technology integration services*:* Data Center build, network integration, information security, end user computing and collaborative tools and solutions

Applications integration services: Application development and maintenance, application testing, mobility solutions, eLearning, portals, online assessment tools, process and automation.

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

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

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

A significant part of the fixed assets used in the Group's business are not identifiable to any of the reportable segments and can be used interchangeably between segments. Management believes that it is not feasible to provide segment disclosures relating to total assets and liabilities since meaningful segregation of available data is onerous.

The Group's operating segment information for the years ended March 31, 2018, 2017 and 2016, are presented below:

Year ended March 31, 2018

		Data Center-centric IT services					
	Telecom-centric Services (A)	Data Center Services (i)	Cloud and Managed Services (ii)	Technology Integration Services (iii)	Applications Integration Services (iv)	**Total (B)= (i)+(ii)+(iii)+(iv)**	Total (C) = (A)+(B)
Segment revenue	9,981,730	2,434,561	956,672	3,444,642	3,868,008	10,703,883	20,685,613
Allocated segment expenses	(7,653,359)	(1,753,440)	(1,052,720)	(2,933,507)	(3,288,028)	(9,027,695)	(16,681,054)
Segment operating income / (loss)	2,328,371	681,121	(96,048)	511,135	579,980	1,676,188	4,004,559
Unallocated expenses:							
Selling, general and administrative expenses							(1,148,710)
Depreciation and amortization							(1,754,537)
Other income / (expense), net							189,738
Finance income							129,325
Finance expenses							(496,780)
Profit / (loss) before tax							923,595
Income tax (expense) / benefit							(194)
Profit / (loss) for the year							923,401

Year ended March 31, 2017

		Data Center-centric IT services *					
	Telecom-centric Services (A)	Data Center Services (i)	Cloud and Managed Services (ii)	Technology Integration Services (iii)	Applications Integration Services (iv)	**Total (B)= (i)+(ii)+(iii)+(iv)**	Total (C) = (A)+(B)

Segment revenue	10,173,014	1,975,076	919,960	2,687,852	2,676,118	8,259,006	18,432,020
Allocated segment expenses	(8,050,025)	(1,489,135)	(824,979)	(2,306,170)	(2,186,512)	(6,806,796)	(14,856,821)
Segment operating income / (loss)	2,122,989	485,941	94,981	381,682	489,606	1,452,210	3,575,199
Unallocated expenses:							
Selling, general and administrative expenses							(1,004,673)
Depreciation and amortization							(1,758,776)
Other income / (expense), net							145,872
Finance income							122,584
Finance expenses							(437,109)
Profit / (loss) before tax							643,097
Income tax (expense) / benefit							(698)
Profit / (loss) for the year							642,399

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

Year ended March 31, 2016

		Data Center-centric IT services					
	Telecom Centric Services (A)	Data Center Services (i)	Cloud and Managed Services (ii)	Technology Integration Services* (iii)	Applications Integration Services* (iv)	**Total (B)= (i)+(ii)+(iii)+(iv)**	Total (C) = (A)+(B)
Segment revenue	9,549,289	1,522,944	941,204	1,705,702	1,315,757	5,485,607	15,034,896
Allocated segment expenses	(7,342,032)	(1,165,293)	(767,109)	(1,419,287)	(999,765)	(4,351,454)	(11,693,486)
Segment operating income / (loss)	2,207,257	357,651	174,095	286,415	315,992	1,134,153	3,341,410
Unallocated expenses:							
Selling, general and administrative expenses							(889,665)
Depreciation and amortization							(1,598,037)
Other income / (expense), net							104,885
Finance income							45,437
Finance expenses							(565,712)
Profit / (loss) before tax							438,318
Income tax (expense) / benefit							135
Profit / (loss) for the year							438,453

Geographic segments

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

Description	India	Rest of the world	Total
Revenues			
Year ended March 31, 2018	16,649,473	4,036,140	20,685,613
Year ended March 31, 2017	13,441,211	4,990,809	18,432,020
Year ended March 31, 2016	9,860,427	5,174,469	15,034,896

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.

Revenue from one customer of the Group's Data center-centric IT services is 2,261,482 (2016-17 1,267,499) which is more than 10% of the Group's total revenue.

32. 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, 2018. Income tax claims against the company as at March 31, 2018 amounted to 8,028 (March 31, 2017: 113,608).

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b) Contingencies due to certain service tax claims as at March 31, 2018 amounted to 468,878 (March 31, 2017: 516,736) and sales tax claims amounted to 1,080 (March 31, 2017: 13,845).

c) 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, 2018.

d) Effective 2012-13, the Company has participated in the Export Promotion Capital Goods Scheme ("the scheme") under which capital equipment is permitted to be imported against a specific licence at a substantially reduced customs duty, subject to fulfilment of obligation to export services rendered by use of capital equipment imported under the scheme to the extent of over 6 times (March 31,2017: 6 times) the value of duty saved over a period of 6 years (March 31,2017: 6 years) from the date of obtaining the licence. In case of failure to meet the export obligation, the company would be liable to pay the differential between the normal duty and the duty saved under the scheme along with interest.

As of March 31, 2018, the company is holding 48 (March 31, 2017: 30) licenses with a corresponding export obligation of 3,926,074 (March 31, 2017: 2,391,737). Considering the track record of the exports, the Company believes it would be able to meet the export obligation within the time frame and would not be exposed to any liability on account of the above scheme.

e) In respect of contingencies arising on legal proceedings, refer to Note 33.

33. Legal proceedings

a) Proceedings before Department of Telecommunications

(i) License fees

- On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications ('DOT') raised a demand on Sify Technologies for 14,000 after correcting the arithmetical error in the assessment letter.

- On February 26, 2010 DOT raised a demand on Sify Communications (erstwhile subsidiary merged with Sify Technologies Limited) for 26,000.

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 replied suitably on the above demand notice.

On a related matter, the service providers had approached TDSAT (the 'Tribunal') on what items of income are liable for calculation of license fee and what all items of income on which license fees are not liable to be paid. The Tribunal by its order dated April 23, 2015 held that revenue from sale of scrap, treasury income etc are to be included as part of AGR. The Tribunal has also passed an order asking DOT to levy at most nominal amount as token penalty with interest if permissible at the lower rates. The Company had approached Honourable High Court of Madras (Court) in 2013 by filing a writ petition prohibiting Department of Telecommunications (DOT) from levying license fee on non-licensed activities. An interim order was passed by the Court restraining DOT from recovering license fee in respect of non- telecom activities for the writ petition filed in 2013. Also, the Group has received notices for earlier years from DoT claiming Licence fee on the total Income (including income from Non Licensed activities). The Group has replied to these notices stating that licence fees are not payable on income from non-licensed activities. The Group believes that it has adequate legal defenses against these notices and that the ultimate outcome of these actions may not have a material adverse effect on the Group's financial position and result of operations.

(ii) The present license for ISP under unified license issued by DOT on June 2, 2014 provides for payment of License fee on pure Internet services. However, the company through Internet Service Providers Association of India (ISPAI) challenged the said clause before TDSAT. TDSAT passed a stay order on DOT from charging the licence fee on pure Internet services. The group has appropriately accounted for any adverse effect that may arise in this regard in the books of account.

b) The Company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2018, the Company believes that it has adequate legal defenses for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgment in all these cases, the maximum financial exposure would be 91,128 (March 31, 2017: 37,429)

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34. 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, 2018, 2017 and 2016 are as follows:

Particulars	Country of incorporation	% of Ownership interest	
		March 31, 2018	March 31, 2017
Holding Company			
Infinity Satcom Universal Private Limited	India	-	-
Raju Vegesna Infotech & Industries Private Limited (Subsidiary of Infinity Satcom Universal Private Limited)	India	-	-
Ramanand Core Investment Company Private Limited (Subsidiary of Raju Vegesna Infotech & Industries Private Limited)	India	-	-
Subsidiaries			
Sify Technologies (Singapore) Pte. Limited	Singapore	100	100
Sify Technologies North America Corporation	USA	100	100
Sify Data and Managed Services Limited	India	100	100
Sify Infinit Spaces Limited	India	100	-

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

Transactions	Holding Company	Associates	Others	Key Management Personnel
Consultancy services received	-	-	-	200
Sitting fees paid	-	-	-	1,330
Salaries and other short term benefits	-	-	-	39,105
Contributions to defined contribution plans	-	-	-	1,675
Share based payment transactions	-	-	-	1,347
Lease rentals paid**	1,061	-	4,483	-
Dividend paid	126,600	-	16,700	-
Call money received		-	-	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made**	-	-	2,600	-
Lease rentals payable**	-	-	125	-

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

Transactions	Holding Company	Associates	Others	Key Management Personnel
Consultancy services received	-	-	-	240
Sitting fees paid	-	-	-	1,410
Salaries and other short term benefits	-	-	-	40,053
Contributions to defined contribution plans	-	-	-	1,642
Share based payment transactions	-	-	-	3,752
Lease rentals paid**	1,035	-	4,385	-
Dividend paid	102,030	-	13,903	-
Call money received	300,000	-	-	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made**	-	-	2,558	-
Lease rentals payable**	-	-	413	-

The following is a summary of the related party transactions for the year ended March 31, 2016:

Transactions	Holding Company	Associates	Others	Key Management Personnel
Consultancy services received	-	-	-	240
Sitting fees paid	-	-	-	2,050
Salaries and other short term benefits	-	-	-	52,576
Contributions to defined contribution plans	-	-	-	1,481
Share based payment transactions	-	-	-	14,170
Lease rentals paid**	923	-	3,898	-
Dividend paid	102,030	-	14,481	-
Amount of outstanding balances				
Advance lease rentals and refundable deposits made**	-	-	2,558	-
Lease rentals payable**	-	-	258	-

**During the year 2011 -12, the Company had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of 75 (Rupees Seventy Five Thousand Only) per month. Subsequently, the Company entered into an amendment agreement with effect from April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years.

During the year 2011 - 12, the Company had also entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman and Managing director of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of 30 (Rupees Thirty Thousand Only) per month. The agreement provides for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years.

During the year 2010-11, the Company had entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Ananda Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of 294 (Rupees Two Ninety Four Thousand Only) per month and payment of refundable security deposit of 2,558. This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

35. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2018 were as follows:

Particulars	Note	Financial assets/ liabilities at amortised costs	Financial assets / liabilities at FVTPL	Financial assets / liabilities at FVTOCI	Total carrying value	Total fair value
Assets						
Cash and cash equivalents	7	2,288,121	-	-	2,288,121	2,288,121
Other assets	9	360,378	-	-	360,378	360,378
Trade receivables	12	8,820,579	-	-	8,820,579	8,820,579
Other receivables	12	48,141	-	-	48,141	48,141
Other investments	14	144,008	-	1,710	145,718	145,718
Liabilities						
Bank overdraft	7	2,121,537	-	-	2,121,537	2,121,537
Finance lease liabilities	16	185,965	-	-	185,965	185,965
Other liabilities	18	207,046	-	-	207,046	207,046
Borrowings from banks	19	2,021,228	-	-	2,021,228	2,021,228
Borrowings from others	19	1,464,637	-	-	1,464,637	1,464,637
Trade and other payables	20	6,779,018	-	-	6,779,018	6,779,018
Derivative financial liabilities	20	-	1,729	-	1,729	1,729

The carrying value and fair value of financial instruments by each category as at March 31, 2017 were as follows:

Particulars	Note	Financial assets/ liabilities at amortised costs	**Financial assets / liabilities at FVTPL**	Financial assets / liabilities at FVTOCI	Total carrying value	Total fair value
Assets						
Cash and cash equivalents	7	1,884,265	-	-	1,884,265	1,884,265
Other assets	9	213,424	-	-	213,424	213,424
Trade receivables	12	6,950,563	-	-	6,950,563	6,950,563

Other receivables	12	101,098	-	-	101,098	101,098
Other investments	14	72,943	-	1,710	74,653	74,653
Liabilities						
Bank overdraft	7	991,161	-	-	991,161	991,161
Finance lease liabilities	16	519,219	-	-	519,219	519,219
Other liabilities	18	201,679	-	-	201,679	201,679
Borrowings from banks	19	2,567,076	-	-	2,567,076	2,567,076
Borrowings from others	19	844,002	-	-	844,002	844,002
Trade and other payables	20	5,648,740	-	-	5,648,740	5,648,740
Derivative financial liabilities	20	-	36,160	-	36,160	36,160

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Details of financial assets hypothecated as collateral

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

	As of March 31, 2018	March 31, 2017
Cash and cash equivalents	2,067,397	1,654,634
Other assets	358,106	209,742
Trade receivables	8,713,161	6,856,976
Other receivables	41,007	100,457
	11,179,671	8,821,809

Derivative financial instruments

(a) Forwards and options

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies. These derivative contracts do not qualify for hedge accounting under IFRS 9, and are initially recognized at fair value on the date the contract is entered into and subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognized immediately in profit or loss. The counterparties for these contracts are generally banks or financial institutions. The following table gives details in respect of the notional amount of outstanding foreign exchange contracts as at March 31, 2018 and 2017.

	As of March 31, 2018	March 31, 2017
Forward contracts		
In U.S. Dollars (Sell)	-	3,000
In U.S. Dollars (Buy)	-	9,800

The Company recognized a net loss on the forward contracts of 7,479 (March 31, 2017: 14,338 – Net Loss) for the year ended March 31, 2018.

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

	As of March 31, 2018	March 31, 2017
Sell:	(US $)	(US $)
Not later than one month	-	500
Later than one month and not later than three months	-	1,000
Later than three months and not later than six months	-	1,500
Later than six months and not later than one year	-	-
Buy:	**(US $)**	**(US $)**
Not later than one month	-	3,500
Later than one month and not later than three months	-	700
Later than three months and not later than six months	-	5,600
Later than six months and not later than one year	-	-

(b) Cross Currency Swap:

In order to hedge against the variability in foreign currency cash flows, the company has entered into Cross Currency Swap (Principle Only Swap) arrangement with the bank where in, the Company pays fixed US $ and receives Fixed principal and interest cash flows. The period of the swap contract is co-terminus with the period of the underlying term loan. The Company has designated such derivative at Fair Value through profit or loss and the gains or loss arising on the fair valuation of the said derivative is recognized in the Statement of income.

The details of outstanding cross currency swap contracts as of March 31, 2018 are as under:

	As of March 31, 2018		March 31, 2017	
	Payable (US $)	**Receivable ( )**	Payable (US $)	**Receivable ( )**
Cross Currency Swap (US$)	-	-	2,213	137,500

The maturity of these contracts extends till five years. The table below summarizes the cash flows (principal and interest) of these derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As of March 31, 2018		March 31, 2017	
	Payable (US $)	**Receivable ( )**	Payable (US $)	**Receivable ( )**
Less than 1 year	-	-	946	65,101
One to two years	-	-	887	58,743
Two to three years	-	-	626	39,884
Three to four years	-	-	-	-
Four to five years	-	-	-	-
Total cash flows	-	-	2,459	163,728

The Group recognized a net loss on the cross currency swaps of 7,987 [March 31, 2017: 27,690 (Gain)] for the year ended March 31, 2018.

(c) Interest Rate Swap:

During the current year, the Group has entered into Interest Rate Swaps in order to hedge the cash flows arising out of the Interest payments of the underlying US $ term loan. The period of the swap contract is co terminus with the period of the underlying term loan. As per the terms of the arrangement, the Group shall pay fixed rate of interest (ranging from 6.3% p.a. to 6.5% p.a.) and receive variable rate of interest equal to LIBOR + fixed rate (ranging from LIBOR + 3.5% to LIBOR + 4.5%) on notional amount. The swap arrangement is marked to market at the end of every period and gains and losses are recognised in the Statement of Income.

The maturity of these contracts extends till five years. The table below summarizes the cash flows (interest) of these derivative financial instruments into relevant maturity groupings based on the remaining period as at the end of the year:

	As of March 31, 2018		March 31, 2017	
	Receivable (US $)	Payable (US $)	Receivable (US $)	Payable (US $)
Less than 1 year	210	283	288	419
One to two years	106	149	192	283
Two to three years	12	18	97	149
Three to four years	-	-	11	18
Four to five years	-	-	-	-
Total cash flows	328	450	588	869

Total notional amount outstanding as of March 31, 2018 is US $ 5,272 (March 31, 2017: US $ 7,381).

Net gain on account of interest rate swaps amount to 1,560 for the year ended March 31, 2018 (March 31, 2017: 7,073 – net Gain).

Fair value measurements:

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

	Fair value as of March 31, 2018			Fair value as of March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivative financial assets – gain on outstanding forward/options contracts	-	-	-	-	-	-
Liabilities						
Derivative financial liabilities – loss on outstanding forward/options contracts	-	-	-	-	(18,079)	-
Derivative financial liabilities - loss on outstanding cross currency swaps	-	-	-	-	-	(7,987)
Derivative financial liabilities - loss on outstanding interest rate swaps	-	-	1,729	-	-	(10,094)

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – unobservable inputs for the asset or liability
  - o Loss on cross currency swaps are valued using present value of cash flows from the swap contract estimated using swap rates calculated from respective countries' yield curves.

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

Recognized in profit or loss

	Year ended March 31, 2018	March 31, 2017	March 31, 2016
Financial assets at amortised cost			

Interest income on bank deposits	25,168	26,463	28,015
Interest income from other financial assets	104,157	96,121	14,336
Impairment loss of trade receivables	(370,000)	(383,534)	(182,161)
Financial assets at fair value through profit or loss			
Net change in fair value of derivative financial instruments gain/(loss)	8,365	10,828	(48,188)
Financial liabilities at amortised cost			
Interest expenses on lease obligations	(31,169)	(88,138)	(126,433)
Interest expenses on borrowings from banks, others and overdrafts	(381,644)	(255,273)	(312,936)

36. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established a risk management policy to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed periodically to reflect changes in market conditions and the Group's activities. The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the risk management framework. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk: Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables, treasury operations and other activities that are in the nature of leases.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.. 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.

The Chief Financial Officer is responsible for monitoring the counterparty credit risk, and has been vested with the authority to seek Board's approval to hedge such risks in case of need.

Exposure to credit risk

The gross carrying amount of financial assets, net of any impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2018 and 2017 was as follows:

	March 31, 2018	March 31, 2017
Cash and cash equivalents	2,288,121	1,884,265
Other assets	360,378	213,424
Trade receivables	8,820,579	6,950,563
Other receivables	48,141	101,098
Other investments	145,718	74,653
	11,662,937	9,224,003

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Financial assets that are past due but not impaired

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

Period (in days)	March 31, 2018	March 31, 2017
Past due 181 - 270 days	825,461	892,375
Past due 271 - 365 days	272,913	344,529
More than 365 days	885,644	961,295
	1,984,018	2,198,199

See note 12 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. The total trade receivables that are not past due as at March 31, 2018 amounts to 6,836,561 (March 31, 2017: 4,752,364) and impairment has not been recorded on the same.

Details of collateral and other credit enhancements held

	March 31, 2018	March 31, 2017
Security deposits received for Internet access services	497	497

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, 2018

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Bank overdrafts	2,121,537	2,121,537	2,121,537	-	-
Finance lease liabilities	185,965	210,302	105,274	101,888	3,140
Other liabilities	207,046	207,046	207,046	-	-
Borrowing from banks	2,021,228	2,240,152	949,352	1,209,181	81,619
Borrowings from others	1,464,637	1,851,840	769,409	893,774	188,657
Trade and other payables	6,779,018	6,779,018	6,779,018	-	-
	12,779,431	13,409,895	10,931,636	2,204,843	273,416

As at March 31, 2017

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Bank overdrafts	991,161	991,161	991,161	-	-
Finance lease liabilities	519,219	577,646	367,620	210,026	-
Other liabilities	201,679	201,679	201,679	-	-
Borrowing from banks	2,567,076	2,711,343	1,974,313	571,339	165,691
Borrowings from others	844,002	915,494	676,150	239,343	-
Trade and other payables	5,648,740	5,648,740	5,648,740	-	-
	10,771,877	11,046,063	9,859,663	1,020,708	165,691

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

- Forecasting inflows and outflows denominated in US$ for a twelve-month period
- Estimating the net-exposure in foreign currency, in terms of timing and amount
- Determining the extent to which exposure should be protected through one or more risk-mitigating instruments to maintain the permissible limits of uncovered exposures.
- Carrying out a variance analysis between estimate and actual on an ongoing basis, and taking stop-loss action when the adverse movements breaches the 5% barrier of deviation, subject to review by Audit Committee.

The Group's exposure to foreign currency risk as at March 31, 2018 was as follows:

	All amounts in respective currencies as mentioned (in thousands)						
	US $	CA $	CHF	EUR	GBP	DHS	HK $
Cash and cash equivalents	3,835	-	-	-	-	-	-
Trade receivables	11,310	-	-	66	8	-	-
Trade payables	(10,076)	-	(1)	(29)	-	(57)	(2)
Foreign currency loan	(20,005)	-	-	-	-	-	-
Net balance sheet exposure	(14,951)	-	(1)	37	8	(57)	(2)

The Group's exposure to foreign currency risk as at March 31, 2017 was as follows:

	All amounts in respective currencies as mentioned (in thousands)						
	US $	CA $	CHF	EUR	GBP	DHS	HK $
Cash and cash equivalents	5,180	-	-	-	-	-	-
Trade receivables	11,226	-	-	44	(1)	-	-
Trade payables	(10,949)	(4)	(1)	(110)	(10)	(38)	-
Foreign currency loan	(29,374)	-	-	-	-	-	-
Net balance sheet exposure	(23,917)	(4)	(1)	(66)	(11)	(38)	-

Sensitivity analysis

A 10% strengthening of the rupee against the respective currencies as at March 31, 2018 and 2017 would have increased / (decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Other comprehensive income	Profit or (loss)
March 31, 2018	-	96,585
March 31, 2017	-	155,702

A 10% weakening of the rupee against the above currencies as at March 31, 2018 and 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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

Profile

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

	Carrying amount	
	March 31, 2018	March 31, 2017
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	413,082	449,195
- Investment in debt securities	144,008	72,943
Financial liabilities		
- Borrowings from banks	609,382	687,461
- Borrowings from others	1,464,637	844,002
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	1,411,846	1,879,615
- Bank overdrafts	2,121,537	991,161

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 2017.

	Equity	Profit or (loss)

March 31, 2018	-	(32,644)
March 31, 2017	-	(24,161)

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.

37. Issue of shares on a private placement basis to the existing promoter group

On August 4, 2010, the Board of Directors of the company approved the issuance, in a private placement, of upto an aggregate of 125,000,000 of the company's equity shares, par value 10 per share ("Equity shares") at a discount compared to market value of , for an aggregate purchase price of 4,000,000, to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's CEO, Chairman and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the Offering. In pursuance of the Agreement, the company issued and allotted 125,000,000 equity shares to M/s Raju Vegesna Infotech and Industries Private Limited ("RVIIPL"), a promoter group company. In accordance with Indian law, the purchase price is to be paid at such time as determined by Board of Directors of the company.

On August 14, 2011, the company received a letter from RVIIPL expressing its intention to transfer the above partly paid shares to its wholly owned subsidiary M/s Ramanand Core Investment Company Private limited ("RCICPL"). The company, on August 26, 2011, registered such transfer of partly paid shares in the name of RCICPL.

On September 7, 2011, the parties entered into an amendment to the Subscription Agreement (the "Amendment") extending the validity of the agreement period to September 26, 2013. This Amendment provides the Board of Directors of the Company with additional time to call upon the purchasers to pay the balance money, in accordance with the terms of the Subscription Agreement.

As on March 31, 2018, these shares are partly paid to the extent of 7.75 (March 31, 2017: 7.75) per share. Until the full purchase price is paid by the purchasers, the company retains a lien on the equity shares purchased in connection with the Offering. As of March 31, 2018, entities affiliated with our CEO, Chairman and Managing Director, Raju Vegesna, beneficially owned approximately 86.22% of our outstanding equity shares, which includes the 125,000,000 shares (partly paid with proportionate voting rights) issued in connection with the above Offering.

38. Corporate Social Responsibility (CSR) expenditure

Section 135 of the Companies Act, 2013, requires Company to spend towards Corporate Social Responsibility (CSR). The Company is expected to spend 9,898 towards CSR in compliance of this requirement. A sum of 9,540 has been spent during the fiscal year towards CSR activities as per details given below. The balance amount to be spent is 358.

Organisation	Amount ( )
VIRRD Trust, Dwarakha Tirumala	6,300
M/s Jateeya Vidya Seva Samithi	2,500
Sri Hanuman Mani Education & Culture Trust	740
Total	9,540

39. Capital Management

The Group's capital comprises equity share capital, share premium, and other equity attributable to equity holders. The primary objective of Group's capital management is to maximise shareholders value. The Group manages its capital and makes adjustment to it in light of the changes in economic and market conditions. The Group does so by adjusting dividend paid to shareholders. The total capital as on March 31, 2018 is 9,004,953 (Previous Year: 8,264,419). No changes were made in the objectives, policies or processes for managing capital of the Group during the current and previous year.

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	Associate Stock Option Plan 2014
4.6	Form of Indemnification Agreement. (7)

4.7	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)
4.8	Bank Guarantee, dated as of November 4, 1998. (2)
4.9	Agreement, dated November 10, 2004, between Sify Technologies Limited, Satyam Computer Services Limited, SAIF Investment Company Limited and Venture Tech Solutions Pvt. Ltd. (8)
4.10	Subscription Agreement dated March 24, 2008 between Sify Technologies Limited and Infinity Satcom Universal Private Limited. (13)
4.11	Scheme of Amalgamation between Sify Communications Limited with Sify Technologies Limited and their respective shareholders (15)

4.12	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, CEO, Chairman and Managing Director of the company. (16)
4.13	Amendment to subscription agreement dated September 7, 2011between Sify Technologies Limited and Mr Ananda Raju Vegesna, Representative of the entities and affiliates in India of Mr Raju Vegesna, CEO, Chairman and Managing Director of the company. (17)
8.1	List of Subsidiaries.
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 LLP in respect of the Sify Technologies 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) 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.

SIGNATURES

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

SIFY TECHNOLOGIES LIMITED

By: /s/ Raju Vegesna
Name: Raju Vegesna
Title: CEO & Managing Director

By: /s/ M P Vijay Kumar
Name: M P Vijay Kumar
Title: Chief Financial Officer
Date: June 19, 2018

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