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-port*s*” 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

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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 CO2 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.

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

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

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

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

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

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

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

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

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

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

In addition, we operate 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.

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

<u>Telecom centric services</u>

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.

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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%		

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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.

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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)

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 a