

September 03, 2025

Sify Digital Services Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term - Fund based limits	174.00	174.00	[ICRA]A (Stable); reaffirmed
Long Term - Non-Fund based limits	195.00	195.00	[ICRA]A (Stable); reaffirmed
Long Term/Short Term - Non-Fund based limits	119.00	119.00	[ICRA]A (Stable) / [ICRA]A1; reaffirmed
Total	488.00	488.00	

*Instrument details are provided in Annexure I

Rationale

The ratings remain supported by the long operational track record of Sify Digital Services Limited's (SDSL) parent, Sify Technologies Limited (STL) in the information, communication and technology (ICT) business, vast experience of the promoter and strong management profile. The ratings also consider SDSL's strong operational profile, marked by a diversified product mix, reputed customer base, and relatively lower customer concentration risks. SDSL benefits from its parent's position as an integrated ICT player offering networking, affiliated managed services, data center and other related solutions. Factors like increased digitisation, data consumption, benefits arising from 5G rollouts and various Government measures like Digital India would drive cloud adoption and similar opportunities for SDSL. The ratings also draw support from the financial support enjoyed by SDSL from its parent, STL.

SDSL's financial profile is constrained by losses and high working capital intensity, and it enjoys need-based funding support from STL. Despite the healthy order pipeline, the company's revenues remained flat at Rs. 976.5 crore in FY2025, while the build-up of manpower costs to cater to the order pipeline resulted in operating losses. SDSL's ability to ramp up its project execution, thus supporting better absorption of costs, remains to be seen. Moreover, it faces intense competition from large established hyperscalers in cloud offerings, which limits its pricing flexibility and puts pressure on its margins. Inherent to its business model, upfront investments in manpower and skilled talent are high to support the order pipeline and the same are likely to be absorbed with the scale-up of operations.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that the company's earnings will recover gradually with scale up of operations and its credit profile will remain supported by its strong parentage.

Key rating drivers and their description

Credit strengths

Vast experience of the promoters and strong management team – Mr. Raju Vegesna, the Chairman and Managing director of Sify Technologies, has vast experience in the technology space and has exhibited strong commitment to the business. Sify's senior management team also consists of professionals having extensive experience in the technology domain.

Strong parentage and support from parent – SDSL derives comfort from the operational and financial linkages with the parent, STL, an established converged ICT solutions player in the country, offering networking, affiliated managed services, data centres and other related solutions. It has a total network of 1,12,564 km covering over 1,700 towns and cities via 1159 fiber nodes and 1908 wireless base stations, and 3,700 plus points of presence between cities, making Sify one of the largest multiprotocol label switching (MPLS) network service providers, supporting businesses with last-mile connectivity on both

wireless and wired lines. SDSL leverages on common customer base shared with STL, which augurs well for the company's growth. STL is expected to support SDSL through timely infusion of funds, if required

Favourable demand prospects – SDSL's diverse product offerings like cloud and managed services Network Centric Services, Technology Integration Services and Application Integrated Services are expected to benefit from the Government's thrust on digitisation including creation of smart cities and schemes like Digital India. Increasing demand for digital services has also been driven by the gradual shift in the industry towards subscription-based models from licensing models and increasing penetration of Point of Sale/Unified Payments Interface (UPI) amid favourable regulatory measures. As storage of data is increasingly going digital, the demand for digital services is set to increase.

Credit challenges

Average financial profile – The revenues from the digital business remained flat (0.1% YoY decline) in FY2025, while the build of manpower to cater to the order pipeline led to continued operating losses in FY2025, which expanded further in Q1 FY2026. Going forward, the revenues and margins are expected to improve gradually, given the company's healthy order book pipeline and the company's conscious efforts to reduce exposure on projects having stretched receivable cycle and lower margins. Some of bigger contracts which are manpower intensive are nearing completion in FY2026. With new orders in pipeline the company is expected to optimise the manpower resources and reduce the cost of operation. The coverage indicators marked by TD/OPBDITA and DSCR are affected by losses, although funding support from the parent, STL (Rs. 35.0 crore received in 5M FY2026 and Rs. 50.0 crore expected in H2 FY2026), lends comfort to its financial profile.

High working capital intensity – SDSL derives a part of its businesses from the Government and PSU clients where the payment terms are relatively longer, which resulted in an elongated receivables position. Though a part of the same is offset by relatively favourable credit terms with suppliers, the working capital cycle remains stretched. In the recent past, the receivable days have improved, supported by better collections of large contract receivables from the Government and PSUs, and the company's conscious efforts to move away from projects with stretched receivables cycle. Ability to improve working capital cycle remains a key monitorable.

Exposed to intense competition – SDSL faces intense competition from large established hyperscalers in cloud offerings, which limits its pricing flexibility and puts pressure on its margins. However, comfort is taken from the established clientele of the parent and the Group, considering the integrated nature of service offerings.

Liquidity position: Adequate

SDSL's liquidity position is adequate with cash balances of Rs. 31.0 crore as on June 30, 2025. The company has repayment obligation (on leases) of Rs. 35.0 crore in FY2026, which is expected to be met from its cash flow. Funding support from the parent, STL (Rs. 35.0 crore received in 5M FY2026 and Rs. 85 crore expected in the full year FY2026) lends comfort to its financial profile. Its parent entity is expected to extend timely support, if required.

Rating sensitivities

Positive factors – A significant and sustained improvement in SDSL's earnings and cash flows could lead to positive ratings action. An improvement in the credit profile of the parent entity may also lead to ratings upgrade.

Negative factors – Pressure on SDSL's ratings could emerge if recovery in margins takes longer than expected, impacting its credit profile. Any weakening of linkages/support from the parent entity or weakening of the parent's credit profile could result in ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	ICRA has factored in the implicit parent support of Sify Technologies Limited on the back of strong operational and financial linkages between the companies
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

Sify Digital Services Limited is a wholly-owned subsidiary of Sify Technologies Limited (STL) and provides application integration services, technology integration service and cloud and managed services.

About the parent

Incorporated in 1995 as Satyam Infoway Limited, Sify Technologies Limited (Sify) is one of the major ICT service providers in India. Mr. Raju Vegesna, a technocrat, is the Chairman and holds an 84% stake in the company. Sify is listed on the NASDAQ and the remaining stakes are held in the form of ADRs. Operating largely in the domestic market, the entity's revenue streams originate from the following segments—telecommunication, data centre, cloud and managed services, application integration and TIS. Sify also has seven wholly-owned subsidiaries—Sify Technologies (Singapore) Pte Limited, Sify Technologies North America Corporation, Sify Infinit Spaces Limited, Sify Digital Services Limited, SKVR Software Solutions Private Limited and Sify Data and Managed Services Limited.

Key financial indicators (audited)

Standalone - SDSL	FY2024	FY2025
Operating income	977.4	976.6
PAT	-67.2	-130.9
OPBDIT/OI	-2.4%	-7.4%
PAT/OI	-6.9%	-13.4%
Total outside liabilities/Tangible net worth (times)	5.1	11.3
Total debt/OPBDIT (times)	-9.4	-4.0
Interest coverage (times)	-0.9	-2.2

Consolidated - STL	FY2024	FY2025
Operating income	3,563.4	3,988.6
PAT	16.9	-78.5
OPBDIT/OI	19.1%	19.0%
PAT/OI	0.5%	-2.0%
Total outside liabilities/Tangible net worth (times)	2.9	3.1
Total debt/OPBDIT (times)	4.9	5.2
Interest coverage (times)	3.2	2.8

Source: Company, ICRA Research; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	Sep 03, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based - Cash Credit	Long Term	174.0	[ICRA]A (Stable)	Oct 07, 2024	[ICRA]A (Stable)	Sep 12, 2023	[ICRA]A+ (Stable)	Sep 29, 2022	[ICRA]A+ (Stable)
								Mar 16, 2023	[ICRA]A+ (Stable)
Non-Fund Based -Others	Long Term	195.0	[ICRA]A (Stable)	Oct 07, 2024	[ICRA]A (Stable)	Sep 12, 2023	[ICRA]A+ (Stable)	Sep 29, 2022	[ICRA]A+ (Stable)
								Mar 16, 2023	[ICRA]A+ (Stable)
Non-Fund Based-Others	Long / Short Term	119.0	[ICRA]A (Stable)/ [ICRA]A1	Oct 07, 2024	[ICRA]A (Stable)/ [ICRA]A1	Sep 12, 2023	[ICRA]A+ (Stable)/ [ICRA]A1+	Sep 29, 2022	[ICRA]A+ (Stable)/ [ICRA]A1+
								Mar 16, 2023	[ICRA]A+ (Stable)/ [ICRA]A1+
Unallocated	Long / Short Term			-	-	-	-	Sep 29, 2022	[ICRA]A+ (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund based limits	Simple
Long Term - Non-Fund based limits	Simple
Long Term/Short Term - Non-Fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based facilities	NA	NA	NA	174.00	[ICRA]A (Stable)
NA	Non-Fund based facilities	NA	NA	NA	195.00	[ICRA]A (Stable)
NA	Non-Fund based facilities	NA	NA	NA	119.00	[ICRA]A (Stable)/[ICRA]A1

Source: Company.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis-Not Applicable

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