September 03, 2025

Sify Technologies Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term - Fund based Term Loans	397.50	461.00	[ICRA]AA- (Stable) reaffirmed and assigned for enhanced limits
Long Term - Fund based limits	275.00	275.00	[ICRA]AA- (Stable); reaffirmed
Long Term - Non-Fund based limits	238.00	238.00	[ICRA]AA- (Stable); reaffirmed
Long Term/Short Term - Non-Fund based limits	229.00	229.00	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed
CP Programme	50.00	50.00	[ICRA]A1+; reaffirmed
Total	**1189.50**	**1253.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings consider Sify Technologies Limited's (STL) long presence in the information, communication and technology (ICT) business, vast experience of the promoter and strong management profile, and its strong operational profile marked by a diversified segmental mix, and a reputed customer base in both telecom and data center (DC). Moreover, long-term agreements with reputed clients in the DC business and high customer stickiness owing to large investments made by them result in high revenue visibility in the DC segment. The ratings also consider favourable demand outlook for the STL Group's business, aided by the Government's thrust on digitisation including creation of smart cities, schemes like Digital India, providing infrastructure status, and extending fiscal incentives for establishing DCs and cloud-related services. Favourable demand prospects for telecom and DC businesses augur well for the company, which have resulted in a healthy compounded annual growth rate (CAGR) of 11.7% over the past five years.

STL's consolidated revenues grew by ~12% on a YoY basis in FY2025, supported primarily by growth in the DC business, while revenue growth in the digital segment was muted owing to increased manpower expenses. The DC segment's share in the consolidated revenues (around 36% in FY2025) has gradually increased in the recent years with steady capacity additions and new customer sign-ups and is likely to increase considerably in the next few years with incremental capacities being added. Sizeable capacity additions in the DC segment, and the expected scale of newly added networks in the telecom segment are expected to result in a strong double-digit revenue growth over the next three years. The consolidated operating margins was flat at 19.0% in FY2025 (against 19.1% in FY2024), despite higher revenue share from the DC business, owing to margin contraction in the digital segment.

The ratings also consider the capital-intensive nature of its operations, lower return on capital employed (RoCE), long albeit improving receivables cycle and the vulnerability of earnings to the competition in the industry. Inherent to the nature of its business, capital costs in the networking segment are dependent on the need for expansion and maintenance of network links, while in the DC business, the investments are continuing amid a favourable long-term demand outlook. The total capex and investments across segments are pegged at Rs. 4,000-4,200 crore over the next three years, of which a large part is towards DC capacity addition. The company has tied up its funds through a mix of term loans and internal accruals. Further, the expected improvement in the operating profit is likely to support its debt protection metrics. While the leverage metrics are likely to moderate on the back of debt-funded capex, DSCR is expected to be comfortable in the range of 1.5-1.9 times in the medium term.

The Stable outlook on the long-term rating reflects ICRA's opinion that a healthy growth in revenues and earnings on the back of favourable demand and capacity expansions, will support STL in improving its coverage metrics, despite the elevated debt level.

Key rating drivers and their description

Credit strengths

Vast experience of 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 a strong commitment to the business. Sify's senior management team also includes professionals with extensive experience in the technology domain.

Established presence in converged ICT solutions business – STL is 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. The network segment is augmented by its 14 concurrently managed data centers and digital services, ensuring the company's strong presence in the entire ICT spectrum. It is expected to benefit across the segments owing to favourable demand outlook, driven by increased digitisation, data consumption, benefits arising from 5G rollouts and various Government measures such as infrastructure status for DCs and schemes like Digital India.

Strong operational profile – STL derives revenues from three broad segments, namely enterprise network segment, DC and digital services. Its presence across the ICT gamut obviates the need for customers to engage with multiple vendors for diverse technology requirements. Also, the presence of customers across multiple segments ensures long-term association with Sify. The rise in revenues has been triggered by increasing cloud adoption, growing demand for bandwidth and links in the data business and improvement in demand for DCs, resulting in increased capacity utilisation and a shift from on-premises to public cloud. Further, it has a large corporate customer base spread across BFSI, ITeS, heavy engineering, manufacturing, government, retail, and pharmaceuticals verticals and hence, remains protected from downturn in any specific segment or industry.

Favourable demand prospects – The increasing penetration of DCs, which requires networks for data transfer, is expected to boost STL's revenues in the telecom segment, going forward. It already caters to 77 data centers in the country, including Sify's 14 captive data centers. In the DC business, demand remains supported by the Government's thrust on digitisation, including the creation of smart cities, schemes like Digital India, providing infrastructure status for DCs, and extending incentives for establishing DCs and cloud-related services. It has commissioned capacities of 132 MW until June 2025 and is adding further capacities in the near term. STL enjoys an early-mover advantage in the segment and has an established relationship with a renowned customer base. Amid the growing demand, STL's ability to scale up within the vicinity of the existing DCs and the availability of adequate land bank and capital for expansion of capacities would be a key competitive advantage.

Credit challenges

Highly capital intensive nature of business – With a higher thrust on digitisation and cloud-related services, the increasing demand for DC business, and the need for maintenance of connectivity links, the business profile remains characterised by need for periodical investments. STL intends to incur a capex of Rs. 150.0-200.0 crore per annum in the telecom business towards building of own fibre networks, funded through the deployment of funds raised from the rights issue of Rs. 250.0 crore, internal accruals and term loans in the medium term towards expansion and network fibres. Going forward, the capex in the telecom business is expected to sustain in the light of 5G rollouts. The overall capex spend in the DC business is estimated at Rs. 3,500-4,000 crore in the next three years. Apart from the tie-ups with banks for term loans, it has also infused an amount of Rs. 400.0 crore by Kotak Special Situations Fund and Rs. 600.0 crore by Kotak Data Center Fund until March 31, 2025 through CCDs owing to capacity expansion and working capital requirements for its DC business. While the margin profile will improve with a large part of investments made towards the DC business, the consolidated debt metrics and RoCE levels are expected to moderate in the near term. However, with the expected scale-up of operations and improved margins, debt metrics and RoCE are expected to improve in the next 12-24 months. Moreover, the Group enjoys strong financial flexibility, thus partly insulating from project completion and ramp-up risks.

Long receivables cycle – Sify derives a part of its businesses from the Government and PSU clients where the payment terms are relatively longer, resulting in an elongated receivables position. In the recent past, the receivable period improved, supported by better collections of large contract receivables from the Government and PSUs, and selective project selections. Sify's ability to further improve the debtor receivable cycle remains a key monitorable.

Competition risks – The STL Group is vulnerable to competition-related risks. Given the favourable demand outlook, the DC business is witnessing a sizeable capacity addition from existing peers and the entry of new incumbents, which are likely to affect the pricing in the industry in the medium-to-long term. While a long track record of operations, higher customer association and established strategic relationships with its customers provide a competitive advantage in the existing business, elevated competition could exert pressure on the operating margins of incremental business. In the data and voice businesses, the competitive pressure is mitigated to some extent due to high entry barriers and Sify's unique positioning in the domestic connectivity industry as a pure-play enterprise player.

Longer than-expected recovery in digital services business – STL, through its subsidiary, Sify Digital Services Limited (SDSL), offers various digital services like network centric services, cloud and managed services, applications integration services and technology integration services. The digital services business has a requirement for high-skilled talent and upfront investments in manpower. Build of manpower to cater to the order pipeline continued to result in operating losses for this segment in FY2025. Additionally, the margins in the network business have moderated over the last couple of years due to due to increase in the networking cost and operational costs pertaining to National Long Distance (NLD) projects, however, the margins are expected to improve, going forward on account of expected reduction in networking cost and estimated revenue from NLD projects. The improved margins in the DC business offset by the lower margins in the network business and losses in the digital business led to steady consolidated operating margins in FY2025. Receivables in the business have also remained elongated as on March 31, 2025. Margins in the digital business are expected to improve over the medium term with the scaling up of revenues, driven by the ramp-up of project executions and ramp-up of the cloud and network managed services.

Environmental and social risks

Environmental considerations – Energy efficiency and sustainable sourcing of power are critical for data centers, which impact the smooth conduct of business operations. The capability to source cost-effective sustainable power would be critical, going forward. STL, in its recently deployed data centers, has adopted advanced technologies and has been executing energy efficient strategies. STL has also adopted the Environment Impact Assessment guidelines prescribed by the Ministry of Environment and Forests (MoEF). During the construction and operations phase of its DCs, it conducts regular audits every six months, and the findings are submitted to the MoEF. Sify has also tied up with authorised vendors for buyback of components such as batteries and others. Overall, as per its disclosures, STL has taken adequate measures to meet all the Government regulations and sustainable sourcing of power to minimise any business disruption.

Social considerations – Inherent to its nature of business, Sify Group faces two key risks from a commercial and social standpoint – risk of data breaches and cyberattack, affecting the large volumes of customer data that such entities manage. Notwithstanding the above, any material lapse on this front can result in substantive liabilities, fines or penalties and reputational impact. Sify Group has been offering networking and data center services for more than two decades and half decade and has not reported any material breach in data, which impacted its reputation.

Liquidity position: Adequate

STL's liquidity position is adequate, supported by consolidated cash and liquid balance of Rs. 795.6 crore as on March 31, 2025, expected retained cash flows of Rs. 570-620 crore in FY2026 and undrawn lines of Rs. 320-330 crore as on June 30, 2025. Against these sources of cash, the company has repayment obligations of Rs. 360-400 crore in FY2026 (including lease obligations). Its large capex plan over the next three years is expected to be funded through a mix of internal accruals, term loans, and funding from KSSF (Rs. 600 crore of undrawn funds available) and cash balances.

Rating sensitivities

Positive factors – ICRA could upgrade STL's long-term rating with sustained improvement in operational profile (DC utilisation and ramp-up of telecom operation) and material increase in consolidated earnings, cash flow position and debt protection metrics.

Negative factors – Pressure on STL's ratings could arise from a material deterioration in consolidated earnings and credit metrics, and/or a sharp weakening of the liquidity profile. Specific metrics that could lead to ratings downgrade include DSCR of less than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services Realty – (Lease Rental Discounting)
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of STL. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

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)

Consolidated	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					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Sep 03, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term	275.00	[ICRA]AA-(Stable)	Sep 30, 2024	[ICRA]AA-(Stable)	Sep 12, 2023	[ICRA]AA-(Stable)	Sep 29, 2022	[ICRA]A+(Stable)
								Mar 16, 2023	[ICRA]AA-(Stable)
Non-Fund Based-Others	Long Term	238.00	[ICRA]AA-(Stable)	Sep 30, 2024	[ICRA]AA-(Stable)	Sep 12, 2023	[ICRA]AA-(Stable)	Sep 29, 2022	[ICRA]A+(Stable)
								Mar 16, 2023	[ICRA]AA-(Stable)
Non-Fund Based-Others	Long / Short Term	229.00	[ICRA]AA-(Stable)/ [ICRA]A1+	Sep 30, 2024	[ICRA]AA-(Stable)/ [ICRA]A1+	Sep 12, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+	Sep 29, 2022	[ICRA]A+(Stable)/ [ICRA]A1+
								Mar 16, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+
Fund Based-Term Loan	Long Term	461.00	[ICRA]AA-(Stable)	Sep 30, 2024	[ICRA]AA-(Stable)	Sep 12, 2023	[ICRA]AA-(Stable)	Sep 29, 2022	[ICRA]A+(Stable)
								Mar 16, 2023	[ICRA]AA-(Stable)
Commercial Paper	Short Term	50.00	[ICRA]A1+	Sep 30, 2024	[ICRA]A1+	Sep 12, 2023	[ICRA]A1+	Sep 29, 2022	[ICRA]A1+
								Mar 16, 2023	[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 Term Loans	Simple
Long Term - Fund based limits	Simple
Long Term - Non-Fund based limits	Simple
Long Term/Short Term - Non-Fund based limits	Simple
CP Programme	Very 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	**Term Loan***	NA	NA	NA	461.00	[ICRA]AA- (Stable)
NA	**Fund based facilities**	NA	NA	NA	275.00	[ICRA]AA- (Stable)
NA	**Non-Fund based facilities**	NA	NA	NA	238.00	[ICRA]AA- (Stable)
NA	**Non-Fund based facilities**	NA	NA	NA	229.00	[ICRA]AA- (Stable)/[ICRA]A1+
Yet to be placed	**CP Programme**	NA	NA	NA	50.00	[ICRA]A1+

*Source: Company; * Date of issuance and maturity not available as it depends on drawdown.*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Sify Technologies (Singapore) Pte Limited	100%	Full consolidation
Sify Technologies North America Corporation	100%	Full consolidation
Sify Data and Managed Services Limited	100%	Full consolidation
Sify Infinit Spaces Limited	100%	Full consolidation
Sify Digital Services Limited	100%	Full consolidation
SKVR Software Solutions Private Limited	100%	Full consolidation

Source: Company

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