February 05, 2026

Sify Technologies Limited: Long term rating upgraded; short term rating reaffirmed

Summary of rating action

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

**Instrument details are provided in Annexure I*

Rationale

The upgrade in the long-term rating factors in expected improvement in Sify Technologies Limited's (STL) credit profile. This is driven by the sizeable scale-up in the data centre (DC) segment backed by the ramp-up in its capacities, thereby leading to improved revenues, earnings, cash flows and debt metrics. The company's subsidiary, Sify Infinit Space Limited (SISL), which is one of the major players in the domestic DC industry with an installed capacity of 132 MW as on June 2025, is expected to add incremental capacity of 100-110 MW over the next 12-15 months. These incremental capacities are expected to be operationalised in a phased manner in the next fiscal with offtake commitments in place from customers for a significant part of the orders. The phased scale up will materially enhance the company's revenue base and earnings trajectory over FY2027 and FY2028, with a consequent improvement in debt metrics.

The ratings factor in STL's established track record in the Information, Communication and Technology (ICT) domain, supported by the extensive experience of its promoters and a competent management team. The company benefits from a strong operational profile, characterised by a well-diversified business mix and a portfolio of reputed clients across both the telecom data centre (DC) segments. Long-term contracts with marquee customers in the DC business, coupled with high client retention driven by significant upfront investments, provide healthy revenue visibility. The ratings also take into account the favourable demand environment for the STL Group's operations, aided by the Government's ongoing push towards digitisation, including initiatives under Digital India, the development of smart cities, the granting of infrastructure status to DCs, and fiscal incentives for data centre and cloud-related services. These policy measures, along with strong industry demand prospects, have supported the company's performance, reflected in a robust five-year revenue CAGR of 11.7%.

STL's consolidated revenues grew by around 10% in 9M FY2026, driven primarily by strong performance in the DC segment, while revenue growth in the digital services business remained muted. The DC segment's contribution to consolidated revenues has increased steadily, reaching around 39% in 9M FY2026, supported by continuous capacity additions and new customer sign-ups. With the incremental capacities expected over the next few years, the DC business is likely to account for an increasing share of revenues. Further, the expected scaling up of newly deployed networks in the telecom segment, along with DC capacity additions, is likely to drive strong double-digit revenue growth over the next three years. Operating profitability has improved in the current fiscal, with margins rising to 21.1% in 9M FY2026 from 19.1% in FY2024, supported by the increasing share of the high-margin DC business, though partially offset by continued margin compression in the digital services segment.

The ratings continue to factor in the capital-intensive nature of STL's operations, modest return on capital employed (RoCE), an elongated yet improving receivables cycle, and the vulnerability of earnings to competitive pressures. Capex requirements remain high, with networking operations requiring ongoing investments for expansion and maintenance, while the DC business is undergoing substantial capacity enhancement supported by a favourable long-term demand outlook. The company has planned capex and investments of Rs. 5,000–5,500 crore over the next three years, the majority of which is earmarked for DC expansion. Funding for this capex has been tied up through a mix of term debt and internal accruals. Moreover, SISL has filed its draft red herring prospectus (DRHP) and proposes to raise Rs. 2,500 crore through a fresh issue, along with an offer for sale of Rs. 1,200 crore. The IPO proceeds are likely to support long-term deleveraging and capex plans. Improvements in operating profitability are expected to support the company's debt protection metrics. Although leverage is expected to remain elevated in the near term due to the debt-funded capex programme, the DSCR is expected to be in the range of 1.5-1.9 times over the next 12 months.

The Stable outlook on the long-term rating reflects ICRA's opinion that healthy growth in revenues and earnings, supported by favourable demand and capacity expansions, will enable STL to improve its coverage metrics despite the elevated debt levels.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and strong management team – Mr. Raju Vegesna, the Chairman and Managing Director of Sify Technologies, has extensive 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. As of December 31, 2025 Sify provides services via 1,214 fibre nodes and has deployed 9,695 SDWAN service points across the country, 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 centres and digital services, ensuring the company's strong presence across the entire ICT spectrum. It is expected to benefit across segments owing to favourable demand outlook, driven by increased digitisation, rising 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 the 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 improving demand for DCs, resulting in increased capacity utilisation and a shift from on-premises infrastructure 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 downturns 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 network segment, going forward. It already caters to 77 data centres in the country, including Sify's 14 data centres. In the DC business, demand remains supported by the Government's thrust on digitisation, including the creation of smart cities, schemes like Digital India, the provision of infrastructure status for DCs, and extending incentives for establishing DCs and cloud-related services, including tax holidays till 2047 to multinational enterprises providing global cloud services from India and the associated benefits for DCs. It has installed capacities of 132 MW as of June 2025 and is expected to add significant capacities over the next 12-15 months including two new towers in Rabale. ICRA draws comfort from the offtake commitments in place from reputed customers for a significant part of the upcoming capacity. STL enjoys an early-mover advantage in the segment and has established relationships with a renowned customer base. Amid growing demand, STL's ability to scale up within the vicinity of existing DCs, and the availability of adequate land bank and capital for capacity expansion 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 the DC business, and the need for maintenance of connectivity links, the business profile remains characterised by need for periodic investments. STL intends to incur a capex of a Rs. 200-250 crore per annum in the telecom business towards building its own fibre networks, funded through internal accruals and term loans in the medium term towards expansion and network fibre deployment. 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. 4,500-5,000 crore over the next three years. Apart from the tie-ups with banks for term loans, it has also received Rs. 400.0 crore from Kotak Special Situations Fund and Rs. 600.0 crore from Kotak Data Center Fund as of December 31, 2025 through CCDs for its DC business in SISL. The company's debt metrics and RoCE have moderated over the last two years, given the sizeable investments towards capacity additions. However, ICRA notes that, with the expected scale-up of operations (especially in the DC business) and improved margins, debt metrics and RoCE are expected to improve over the next 12-24 months. Moreover, the Group enjoys strong financial flexibility, thus partly insulating from project completion and ramp-up risks.

Long receivable cycle – Sify derives a part of its business from 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 prudent project selection. Sify's ability to further improve the 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 sizeable capacity additions from existing peers as well as the entry of new incumbents, which are likely to affect pricing in the industry over the medium-to-long term. While a long track record of operations, higher customer association and established strategic relationships with 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 period in digital services business – STL, through its subsidiary, Sify Digital Services Limited (SDSL), offers digital services including Cloud & IT Managed Services, Enterprise Cloud Infrastructure Services, Industry Application Managed Services, Network Digital Managed Services, Digital Application Managed Services and Security Managed Services. The digital services business requires for high-skilled talent and upfront investments in manpower. The build-up of manpower to cater to the order pipeline continued to result in operating losses for this segment in FY2025 and 9M FY2026. Additionally, margins in the network business have moderated in FY2025 due to an increase in the operational costs. However, the margins are expected to improve, as seen in 9M FY2026 where they reverted to the steady-state level of around 20%, supported by the continued reduction in operational costs and incremental revenues from NLD projects as well as additional business generated from the newly created network infrastructure. 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 with some improvement in 9M FY2026. 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 execution and cloud and network managed services.

Environmental and social risks

Environmental considerations – Energy efficiency and sustainable power sourcing are critical for data centres, to achieve sustainability goals, and accordingly the ability to source cost-effective sustainable power would be critical, going forward. STL, in its recently deployed data centres, 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). 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 the nature of its business, the Sify Group faces reputational risks from data breaches and cyberattacks, affecting the large volumes of customer data that such entities manage. Any material lapse on this front can result in significant reputational impact. The Sify Group has been offering networking and data centre services for more than two-and-a-half decades and has not reported any material data breach impacting its reputation.

Liquidity position: Adequate

STL's liquidity position is adequate, supported by consolidated cash and liquid balance of Rs. 171.1 crore as of December 31, 2025, expected retained cash flows of Rs. 800-850 crore in the next 12 months and buffer in working capital limits of Rs. 195-200 crore as on December 31, 2025. Against these sources of cash, the company has repayment obligations of Rs. 400-450 crore over the next twelve months (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 cash balances. The proposed IPO of SISL is also expected to provide comfort to overall liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade STL's long-term rating with significant 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.

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 of the company. Sify is listed on the NASDAQ with some of its shares held in the form of ADRs. Operating largely in the domestic market, the entity's revenue streams originate from the following segments—network, data centre, cloud & IT managed services, enterprise cloud infrastructure services, industry application managed services, network digital managed services, digital application managed services and security managed services. Sify also has six group companies, Sify Technologies (Singapore) Pte Limited, Sify Technologies North America Corporation, Sify Infinit Spaces Limited, Sify Digital Services Limited, SKVR Software Solution Private Limited and Sify Data and Managed Services Limited.

Key financial indicators (audited)

Consolidated	FY2024	FY2025	9MFY2026*
Operating income	3,563.4	3,988.6	3,285.2
PAT	16.9	-78.5	-99.4
OPBDIT/OI	19.1%	19.0%	21.1%
PAT/OI	0.5%	-2.0%	-3.0%
Total outside liabilities/Tangible net worth (times)	2.9	3.1	3.3
Total debt/OPBDIT (times)	4.9	5.2	4.3
Interest coverage (times)	3.2	2.8	2.6

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)						Chronology of rating history for the past 3 years					
						FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Feb 05, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund Based-Cash Credit	Long Term	275.00	[ICRA]AA (Stable)	Sep 03, 2025	[ICRA]AA- (Stable)	Sep 30, 2024	[ICRA]AA- (Stable)	Sep 12, 2023	[ICRA]AA- (Stable)	Sep 29, 2022 Mar 16, 2023	[ICRA]A+ (Stable) [ICRA]AA- (Stable)
Non-Fund Based-Others	Long Term	238.00	[ICRA]AA (Stable)	Sep 03, 2025	[ICRA]AA- (Stable)	Sep 30, 2024	[ICRA]AA- (Stable)	Sep 12, 2023	[ICRA]AA- (Stable)	Sep 29, 2022 Mar 16, 2023	[ICRA]A+ (Stable) [ICRA]AA- (Stable)
Non-Fund Based-Others	Long / Short Term	229.00	[ICRA]AA (Stable)/ [ICRA]A1+	Sep 03, 2025	[ICRA]AA- (Stable)/ [ICRA]A1+	Sep 30, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	Sep 12, 2023	[ICRA]AA- (Stable)/ [ICRA]A1+	Sep 29, 2022 Mar 16, 2023	[ICRA]A+ (Stable)/ [ICRA]A1+ [ICRA]AA- (Stable)/ [ICRA]A1+
Fund Based-Term Loan	Long Term	461.00	[ICRA]AA (Stable)	Sep 03, 2025	[ICRA]AA- (Stable)	Sep 30, 2024	[ICRA]AA- (Stable)	Sep 12, 2023	[ICRA]AA- (Stable)	Sep 29, 2022 Mar 16, 2023	[ICRA]A+ (Stable) [ICRA]AA- (Stable)
Commercial Paper	Short Term	50.00	[ICRA]A1+	Sep 03, 2025	[ICRA]A1+	Sep 30, 2024	[ICRA]A1+	Sep 12, 2023	[ICRA]A1+	Sep 29, 2022 Mar 16, 2023	[ICRA]A1+ [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	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 Solution Private Limited	100%	Full consolidation

Source: Company

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