February 05, 2026

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 draw comfort from the long operational track record of Sify Technologies Limited (STL), the parent entity of Sify Digital Services Limited (SDSL), in the Information, Communication and Technology (ICT) domain, supported by the promoter's extensive experience and a strong management team. SDSL benefits from a diversified product portfolio, a reputed customer base and relatively lower customer concentration risks. The company also derives operational synergies from STL's position as an integrated ICT solutions provider offering network services, data centre services, Cloud & IT Managed Services, Enterprise Cloud Infrastructure Services, Industry Application Managed Services, Network Digital Managed Services, Digital Application Managed Services and Security Managed Services. Growing digitisation, rising data consumption, 5G-driven use cases and Government initiatives such as Digital India are expected to support cloud adoption, thereby improving SDSL's growth prospects. The ratings also factor in the demonstrated financial support extended by STL.

SDSL's financial profile remains constrained by continued losses and high working capital intensity, necessitating need-based support from the parent. Revenues contracted by around 8% (on YoY basis) to Rs. 710.2 crore in 9M FY2026, partly due to the company's decision to focus on margin-accretive projects with favourable credit terms. This, along with operational constraints arising from lower scale and higher employee costs incurred for training resources for future digitalisation initiatives, resulted in the widening of operation losses in 9M FY2026. The company's ability to ramp up project execution and improve cost absorption remains a key monitorable. Intense competition from other digital service providers continues to restrict pricing flexibility and exert pressure on margins. As inherent to its business model, upfront investments in skilled manpower remain high, although these costs are expected to be better absorbed with scale-up of operations.

The Stable outlook on the long-term rating reflects ICRA's expectation of a gradual recovery in earnings with the scale-up of operations, supported by the company's strong parentage and continued financial backing.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoters and strong management team – Mr. Raju Vegesna, the Chairman and Managing director of Sify Technologies, has significant experience in the technology space and has exhibited strong commitment to the business. Sify's senior management team also includes professionals with 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 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 at an overall level. As of December 31, 2025 Sify provides services through 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. 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 & IT managed services, enterprise cloud infrastructure services, industry application managed services, network digital managed services, digital application managed services and security managed 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. The demand for digital services is set to increase with rising requirement for data storage.

Credit challenges

Average financial profile – Revenues from the digital business declined during 9M FY2026, while continued manpower cost to service the existing order pipeline resulted in sustained operating losses in the period. Going forward, revenues and margins are expected to improve gradually, supported by an improving order book and the company's conscious efforts to reduce exposure to projects with elongated receivable cycles and lower margins. Several large and manpower-intensive contracts are scheduled to conclude in FY2026, which, along with the expected inflow of new orders, is likely to enhance manpower optimisation and reduce operating costs. Coverage indicators, including TD/OPBDITA and DSCR, remain constrained due to the ongoing losses. However, funding support from the parent, STL (Rs. 100.0 crore infused in Q3 FY2026), provides comfort to the overall financial profile. Further, STL has also approved an infusion of Rs. 50 crore to support any cashflow requirement of SDSL.

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 cycle. 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 exerts pressure on its margins. However, comfort is derived 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. 35.4 crore as on December 31, 2025 and buffer in working capital limits of around Rs. 15 crore as of December 2025. The company has repayment obligation (on leases) of Rs. 28.0 crore in the next 12 months, which is expected to be met from its cash flow. Funding support from the parent entity, STL, lends comfort to its financial profile as it is expected to extend timely support as and when required.

Rating sensitivities

Positive factors – A significant and sustained improvement in SDSL's earnings and cash flows could lead to positive rating 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 Cloud & IT Managed Services, Enterprise Cloud Infrastructure Services, Industry Application Managed Services, Network Digital Managed Services, Digital Application Managed Services and Security Managed Services.

About the parent

Incorporated in 1995 as Satyam Infoway Limited, Sify Technologies Limited (STL) 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 its shares held in the form of ADRs. Operating largely in the domestic market, the entity's revenue streams originate from the following segments, at a consolidated level, network services, data centre services, 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 including 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)

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

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

Consolidated - STL	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

<table>
<tr><th colspan="6">Current (FY2026)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th colspan="6"></th><th colspan="2">FY2025</th><th colspan="2">FY2024</th><th colspan="2">FY2023</th></tr>
<tr><th>Instrument</th><th>Type</th><th>Amount Rated (Rs Crore)</th><th>Feb 05, 2026</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td rowspan="2">Fund Based - Cash Credit</td><td rowspan="2">Long Term</td><td rowspan="2">174.0</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">Sep 03, 2025</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">Oct 07, 2024</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">Sep 12, 2023</td><td rowspan="2">[ICRA]A+ (Stable)</td><td>Sep 29, 2022</td><td>[ICRA]A+ (Stable)</td></tr>
<tr><td>Mar 16, 2023</td><td>[ICRA]A+ (Stable)</td></tr>
<tr><td rowspan="2">Non-Fund Based -Others</td><td rowspan="2">Long Term</td><td rowspan="2">195.0</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">Sep 03, 2025</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">Oct 07, 2024</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">Sep 12, 2023</td><td rowspan="2">[ICRA]A+ (Stable)</td><td>Sep 29, 2022</td><td>[ICRA]A+ (Stable)</td></tr>
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<tr><td rowspan="2">Non-Fund Based-Others</td><td rowspan="2">Long / Short Term</td><td rowspan="2">119.0</td><td rowspan="2">[ICRA]A (Stable)/ [ICRA]A1</td><td rowspan="2">Sep 03, 2025</td><td rowspan="2">[ICRA]A (Stable)/ [ICRA]A1</td><td rowspan="2">Oct 07, 2024</td><td rowspan="2">[ICRA]A (Stable)/ [ICRA]A1</td><td rowspan="2">Sep 12, 2023</td><td rowspan="2">[ICRA]A+ (Stable)/ [ICRA]A1+</td><td>Sep 29, 2022</td><td>[ICRA]A+ (Stable)/ [ICRA]A1+</td></tr>
<tr><td>Mar 16, 2023</td><td>[ICRA]A+ (Stable)/ [ICRA]A1+</td></tr>
<tr><td>Unallocated</td><td>Long / Short Term</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Sep 29, 2022</td><td>[ICRA]A+ (Stable)/ [ICRA]A1+</td></tr>
</table>

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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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