



# Sify Technologies Limited Sponsored ADR (SIFY)

**1Q:F22 Revenue And EBITDA Beat Our Forecast On Broad Based Demand For Sify's Services; Outlook For Data Center And Cloud Growth Remains Strong; Maintain \$6 Price Target**

|              | F2020   |         | F2021  |         | F2022E   |         | F2023E   |  |
|--------------|---------|---------|--------|---------|----------|---------|----------|--|
|              |         | OLD     | NEW    | OLD     | NEW      | OLD     | NEW      |  |
| June         | \$0.02  | \$0.01  |        | \$0.01  | \$0.03A  | \$0.03  |          |  |
| Sep.         | 0.02    | 0.02    |        | 0.02    |          | 0.03    |          |  |
| Dec.         | 0.01    | 0.02    |        | 0.03    |          | 0.04    |          |  |
| Mar.         | 0.01    | 0.03    |        | 0.03    |          | 0.04    | 0.05     |  |
| EPS (FY)     | \$0.06  | \$0.09  |        | \$0.09  | \$0.11   | \$0.13  | \$0.14   |  |
| EPS (Cal.)   | \$0.07  | \$0.09  | \$0.10 | \$0.13  |          |         |          |  |
| P/E (FY)     |         |         |        |         | 30.6x    |         | 24.1x    |  |
| P/E (Cal.)   |         |         | 33.7x  | 25.9x   |          |         |          |  |
| EBITDA (mil) | \$62.70 | \$78.20 |        | \$85.40 | \$89.90x | \$98.80 | \$102.00 |  |
| EV / EBITDA  |         |         |        |         | 7.8x     |         | 6.9x     |  |

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2020-F2023E EPS estimates assume a fully diluted share count of 178 million shares, constant currency USD/INR exchange rate of 65. Sum of quarterly data may not equal full-year total due to rounding and/or changes in share count. NC = Not covered by Sidoti & Company, LLC. \*EPS including a amortization expense.

| Year       | F2014   | F2015   | F2016   | F2017   | F2018   | F2019   | F2020   | F2021   | F2022E  | F2023E  |
|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Rev.(Mil.) | \$160.9 | \$197.9 | \$231.3 | \$283.6 | \$318.2 | \$331.5 | \$353.1 | \$374.1 | \$419.7 | \$468.7 |
| GAAP EPS   | \$0.03  | \$0.03  | \$0.04  | \$0.06  | \$0.08  | \$0.09  | \$0.06  | \$0.09  | \$0.11  | \$0.14  |

Description: Sify Technologies Ltd., (www.sifytechnologies.com) is one of the largest integrated Information & Communication Technology (ICT) solutions and services companies in India, offering end-to-end solutions over a common telecom data network infrastructure. Sify's network reaches more than 1,550 cities in India and connects 45 data centers, including six owned Tier 3 data centers. Headquarters are in Chennai, India.

- **Sify shrugged off the second wave of Covid in India to deliver a strong 1Q:F22 showing across the board, with all segments posting gains. Consolidated revenue grew 22.7% to \$99.2 million, topping our \$93.5 million estimate.**
- **Management continued its track record of driving operating leverage. Continued spending discipline led to EBITDA rising 26% to \$22.4 million, which also beat our \$18.7 million estimate.**
- **As evident in Sify's strong growth this quarter, the pandemic is accelerating the digital transformation and cloud adoption of businesses in India. Sify remains in a strong financial position to make further infrastructure investments to capitalize on the growing demand.**
- **SIFY stock trades at just 7x our F2023 EBITDA estimate, a significant discount to the peer group range of 8x-12x, which we do not think credits Sify's growth, profitability, and modest leverage.**
- **We maintain our \$6 price target, which is based on 12x our new F2023 EBITDA estimate of \$102 million (from \$98.8 million), less projected net debt of \$130 million. The \$6 price target also implies 43x our new F2023 EPS estimate of \$0.14.**
- **Given the company's growth potential and modest leverage of 1.0x net debt-to-EBITDA, we maintain our Moderately Risky rating.**

**Broad based growth across all segments drove strong revenue growth in 1Q:F22 that beat our forecast.** Despite the Delta-variant second wave of Covid that hit India, Sify's business continued to perform well, a testament to the strong secular trends driving demand for the company's services. The business was firing on all cylinders as all segments contributed to growth. Growth in the company's Data Center Centric services has picked up, as the pandemic is accelerating the digital transformation and cloud adoption of businesses in India. As a result, revenue growth accelerated in 1Q:F22, with sales rising 22.7% to \$99.2 million, exceeding our \$93.5 million estimate. Demand for Sify's Data Center and Cloud

**NR**

Price Target: \$6

Price: \$3.37

Risk Rating: M

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## Key Statistics

|                               |          |
|-------------------------------|----------|
| Analysts Covering             | 1        |
| Market Cap (Mil)              | \$600    |
| Enterprise Value              | \$699    |
| 52-Week Range (NASDAQ)        | 6-1      |
| 5-Year EPS CAGR               | 20%      |
| Avg. Daily Trading Volume     | 303,000  |
| Shares Out (Mil)              | 179.223  |
| Float Shares (Mil)            | 24.1     |
| Insider Ownership             | 86%      |
| Institutional Holdings        | 1%       |
| Annualized Dividend           | Nil      |
| Dividend Yield                | N/A      |
| FCF Per Share (F2023E)        | (\$0.01) |
| FCF Yield (F2023E)            | -0.3%    |
| Net Cash Per Share (F2023E)   | (\$0.71) |
| Price to Book Value           | 3.8x     |
| Return on Equity (F2023E)     | 11.8%    |
| Total Debt to Capital         | 41%      |
| Interest Coverage Ratio       | 2.7x     |
| Short Interest %              | N/A%     |
| Short Interest Days To Cover  | 6.5      |
| Russell 2000                  | 2,240    |
| Russell 2000 – Last 12 Months | 49.3%    |
| SIFY – Last 12 Months         | 247.4%   |



Services remained strong with revenue rising 38% and 24% respectively which was better than the 32% and 11% growth we projected. Areas that have been most impacted by the pandemic also rebounded this quarter with Telecom Services growing 3%, in line with expectations. Application Integration Services also had a very strong quarter as the completion of a large project drove 153% revenue growth that far exceeded our 22% forecast. This was a nice surprise as revenue from this segment was down 19% in F2021. Finally, the Technology Integration Services segment delivered 20% growth, slightly below our 35% forecast. This project dependent business can be lumpy and hard to model. Although the pandemic led to delayed spending and longer sales cycles, this segment has posted gains in each of the last four quarters, showing that businesses in India are moving forward with their digital and cloud investments.

**EBITDA in 4Q:F21 also beat our expectations.** In addition to the stronger-than-projected revenue, management continues to maintain a tight control on spending to deliver profitable growth. The gross margin varies by segment and the higher mix of Application Integration revenue led to a gross margin 39.5%, down from 41% and year ago. Still, the EBITDA margin widened more than projected as operating expenses were about \$2.7 million below our forecast. As a result, EBITDA increased 26% to \$22.4 million at a margin of 22.5%, handily topping our \$18.7 million and 20% estimates. Net income increased 91% and EPS increased to \$0.03 from \$0.01 a year ago, topping our \$0.01 estimate.

**Data Center investments will continue to fuel growth.** Sify currently operates 10 data centers across 6 cities with 72 megawatts of capacity. This year management aims to add another 10 megawatts of capacity in its existing infrastructure. The company also has two new greenfield facilities in the works, one of which is expected to go live in early 2022, which according to management will add significant incremental capacity.

**Sify is in a strong financial position to invest in its infrastructure and capitalize on the growing demand for data center and Cloud services in India, in our view.** Sify ended F2021 with cash of \$84 million and debt of \$146 million. While Sify is generating cash, the cash balance declined to \$54 million in 1Q:F22. Management indicated this was partially due to a buildup in working capital when the second wave of Covid hit India. Management also did not add any debt in the quarter instead choosing to fund its network investments internally. Base on this net leverage is still just 1x our \$90 million F2022 EBITDA forecast.

| Exhibit 1: Sify Technologies Preview |                |                |            |                |                |                 |
|--------------------------------------|----------------|----------------|------------|----------------|----------------|-----------------|
|                                      | <u>1Q:F22E</u> | <u>1Q:F22A</u> | <u>Var</u> | <u>1Q:F21A</u> | <u>1Q:F22A</u> | <u>% Change</u> |
| Total revenue                        | \$93.5         | 99.2           | 5.7        | \$80.9         | 99.2           | 22.7%           |
| Gross Profit                         | 38.3           | 39.2           | 1.0        | 33.2           | 39.2           | 18.1%           |
| (%)                                  | 40.9%          | 39.5%          |            | 41.0%          | 39.5%          |                 |
| EBITDA                               | 18.7           | 22.4           | 3.7        | 17.7           | 22.4           | 26.6%           |
| (%)                                  | 20.0%          | 22.6%          |            | 21.9%          | 22.6%          |                 |
| Diluted EPS                          | \$0.01         | \$0.03         | \$0.02     | \$0.02         | \$0.03         | 93.3%           |

Sources: Sidoti & Company, LLC estimates and company filings

|                  |  |                        |  |
|------------------|--|------------------------|--|
| <b>Valuation</b> | <b>We maintain our \$6 price target on SIFY shares.</b> While the pandemic is curbing economic growth in the near term, it does not change the long-term digital transformation of India's economy. We think Sify will be a primary beneficiary of this transformation. With the stock trading at 6.9x our projections on a F2023 EV/EBITDA basis, SIFY is valued at a significant discount to peers in the India Telecom and application and technology integration markets that trade in a range of 8x-12x EV/EBITDA. Given Sify's growth potential, we think the stock deserves to trade at the high-end of the peer group range. Our \$6 price target is based on 12x our F2023 EBITDA estimate of \$102 million, less projected net debt of \$130 million, to yield \$1,090 million, or \$6.15 on a per share basis. Given the company's growth potential and modest leverage, we maintain a Moderately Risky rating. |                        |  |
| <b>Key Risks</b> | Foreign exchange   | Concentrated ownership |  |

## SIFY TECHNOLOGIES LIMITED SPONSORED ADR

**Table 1: Sify Technologies Ltd., Income Statement**

(Dollars in millions except where noted)

|                                     | F2020         | Jun           | Sep           | Dec           | Mar           | F2021         | JunA          | SepE          | DecE          | MarE          | F2022E        | JunE          | SepE          | DecE          | MarE          | F2023E        |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total revenue</b>                | <b>353.1</b>  | <b>80.9</b>   | <b>90.8</b>   | <b>96.9</b>   | <b>105.5</b>  | <b>374.1</b>  | <b>99.2</b>   | <b>97.7</b>   | <b>104.7</b>  | <b>118.1</b>  | <b>419.7</b>  | <b>109.3</b>  | <b>111.5</b>  | <b>116.7</b>  | <b>131.2</b>  | <b>468.7</b>  |
| <b>COGS</b>                         | 221.4         | 47.7          | 56.1          | 60.6          | 61.7          | 226.1         | 60.1          | 57.6          | 62.4          | 72.2          | 252.3         | 65.0          | 65.9          | 69.1          | 79.6          | 279.5         |
| <b>Gross profit</b>                 | <b>131.7</b>  | <b>33.2</b>   | <b>34.6</b>   | <b>36.4</b>   | <b>43.8</b>   | <b>148.0</b>  | <b>39.2</b>   | <b>40.1</b>   | <b>42.3</b>   | <b>45.9</b>   | <b>167.4</b>  | <b>44.4</b>   | <b>45.6</b>   | <b>47.6</b>   | <b>51.6</b>   | <b>189.1</b>  |
| SG&A                                | 69.0          | 15.4          | 16.4          | 16.5          | 21.4          | 69.8          | 16.8          | 19.5          | 19.9          | 21.3          | 77.5          | 21.0          | 21.5          | 21.7          | 23.0          | 87.2          |
| <b>EBITDA</b>                       | <b>62.7</b>   | <b>17.7</b>   | <b>18.3</b>   | <b>19.9</b>   | <b>22.4</b>   | <b>78.2</b>   | <b>22.4</b>   | <b>20.5</b>   | <b>22.4</b>   | <b>24.6</b>   | <b>89.9</b>   | <b>23.4</b>   | <b>24.0</b>   | <b>25.9</b>   | <b>28.6</b>   | <b>102.0</b>  |
| D&A                                 | 35.2          | 10.1          | 10.3          | 10.9          | 12.3          | 43.6          | 12.3          | 12.3          | 12.4          | 12.6          | 49.7          | 12.7          | 12.8          | 13.0          | 13.2          | 51.7          |
| <b>EBIT</b>                         | <b>27.5</b>   | <b>7.6</b>    | <b>8.0</b>    | <b>8.9</b>    | <b>10.0</b>   | <b>34.6</b>   | <b>10.0</b>   | <b>8.2</b>    | <b>10.0</b>   | <b>12.0</b>   | <b>40.2</b>   | <b>10.7</b>   | <b>11.2</b>   | <b>12.9</b>   | <b>15.4</b>   | <b>50.2</b>   |
| Interest and other expense (income) | 13.2          | 3.6           | 2.2           | 3.3           | 3.0           | 12.2          | 3.5           | 4.0           | 4.0           | 4.0           | 15.5          | 4.0           | 4.0           | 4.0           | 4.0           | 16.0          |
| Other expense (income)              | (1.4)         | (0.1)         | (0.5)         | (0.6)         | (1.0)         | (2.2)         | (0.2)         | (0.5)         | (0.5)         | (0.5)         | (1.8)         | (0.5)         | (0.5)         | (0.5)         | (0.5)         | (2.2)         |
| <b>EBT</b>                          | <b>15.7</b>   | <b>4.1</b>    | <b>6.4</b>    | <b>6.2</b>    | <b>8.0</b>    | <b>24.6</b>   | <b>6.8</b>    | <b>4.7</b>    | <b>6.6</b>    | <b>8.6</b>    | <b>26.6</b>   | <b>7.3</b>    | <b>7.8</b>    | <b>9.4</b>    | <b>12.0</b>   | <b>36.4</b>   |
| Taxes                               | 4.8           | 1.4           | 2.4           | 2.3           | 2.4           | 8.5           | 1.7           | 1.4           | 2.0           | 2.6           | 7.7           | 2.2           | 2.3           | 2.8           | 3.6           | 10.9          |
| <b>Net income</b>                   | <b>10.8</b>   | <b>2.6</b>    | <b>4.0</b>    | <b>3.9</b>    | <b>5.6</b>    | <b>16.1</b>   | <b>5.1</b>    | <b>3.3</b>    | <b>4.6</b>    | <b>6.0</b>    | <b>18.9</b>   | <b>5.1</b>    | <b>5.4</b>    | <b>6.6</b>    | <b>8.4</b>    | <b>25.5</b>   |
| <b>EPS - diluted</b>                | <b>\$0.06</b> | <b>\$0.01</b> | <b>\$0.02</b> | <b>\$0.02</b> | <b>\$0.03</b> | <b>\$0.09</b> | <b>\$0.03</b> | <b>\$0.02</b> | <b>\$0.03</b> | <b>\$0.03</b> | <b>\$0.11</b> | <b>\$0.03</b> | <b>\$0.03</b> | <b>\$0.04</b> | <b>\$0.05</b> | <b>\$0.14</b> |
| Dividend                            | <b>\$0.02</b> | -             | -             | -             | -             | <b>\$0.02</b> | -             | -             | -             | -             | <b>\$0.02</b> | -             | -             | -             | -             | <b>\$0.02</b> |
| Shares outstanding - diluted        | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         | 178.0         |
| <b>Margins</b>                      |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Gross margin                        | 37.3%         | 41.0%         | 38.2%         | 37.5%         | 41.5%         | 39.6%         | 39.5%         | 41.0%         | 40.4%         | 38.8%         | 39.9%         | 40.6%         | 40.9%         | 40.8%         | 39.3%         | 40.4%         |
| EBITDA                              | 17.8%         | 21.9%         | 20.2%         | 20.5%         | 21.2%         | 20.9%         | 22.5%         | 21.0%         | 21.4%         | 20.8%         | 21.4%         | 21.4%         | 21.6%         | 22.2%         | 21.8%         | 21.8%         |
| Operating margin                    | 7.8%          | 9.4%          | 8.8%          | 9.2%          | 9.5%          | 9.3%          | 10.1%         | 8.4%          | 9.6%          | 10.2%         | 9.6%          | 9.8%          | 10.1%         | 11.0%         | 11.7%         | 10.7%         |
| Net margin                          | 3.1%          | 3.3%          | 4.4%          | 4.0%          | 5.3%          | 4.3%          | 5.1%          | 3.4%          | 4.4%          | 5.1%          | 4.5%          | 4.7%          | 4.9%          | 5.7%          | 6.4%          | 5.4%          |
| <b>Growth YoY</b>                   |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| <b>YoY</b>                          |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Total revenue                       | 6.5%          | (4.7%)        | 1.6%          | 7.0%          | 19.6%         | 6.0%          | 22.7%         | 7.6%          | 8.0%          | 11.9%         | 12.2%         | 10.2%         | 14.1%         | 11.5%         | 11.1%         | 11.7%         |
| Gross profit                        | 8.2%          | 9.6%          | 4.4%          | 9.4%          | 25.4%         | 12.4%         | 18.0%         | 15.6%         | 16.4%         | 4.7%          | 13.1%         | 13.3%         | 13.7%         | 12.5%         | 12.5%         | 13.0%         |
| EBITDA                              | 30.6%         | 31.9%         | 12.1%         | 17.0%         | 40.0%         | 24.8%         | 26.1%         | 12.2%         | 13.0%         | 10.1%         | 14.9%         | 4.5%          | 17.2%         | 15.4%         | 16.4%         | 13.4%         |
| EBIT                                | 30.6%         | 31.9%         | 12.1%         | 17.0%         | 40.0%         | 24.8%         | 26.1%         | 12.2%         | 13.0%         | 10.1%         | 14.9%         | 4.5%          | 17.2%         | 15.4%         | 16.4%         | 13.4%         |
| EPS                                 | (34.2%)       | (20.4%)       | 34.6%         | 53.7%         | 171.1%        | 48.1%         | 91.3%         | (16.5%)       | 18.4%         | 7.3%          | 17.9%         | 0.6%          | 64.4%         | 43.9%         | 39.5%         | 34.5%         |

Note: Historical results and estimates assume constant currency USD/INR exchange rate of 65

Sources: Sidoti &amp; Company, LLC. estimates and company reports

**Table 2: Sify Technologies Ltd.. Cash Flow Statement**

(Dollars in millions except where noted)

|   | <b>F2020</b>  | <b>F2021</b>  | <b>F2022E</b> | <b>F2023E</b> |
|---|---------------|---------------|---------------|---------------|
| Net income  | \$10.9        | \$16.1        | \$18.8        | \$25.5        |
| D&A   | 35.2          | 41.1          | 49.2          | 51.7          |
| Provision for doubtful accounts                             | 7.4           | -             | -             | -             |
| Stock compensation  | 0.7           | 0.2           | 0.2           | 0.2           |
| Net finance (income) / expense                              | 13.2          | -             | -             | -             |
| Unrealized (gain) / loss on account of exchange differences | 0.1           | -             | -             | -             |
| Amortization of leasehold prepayments                       | -             | -             | -             | -             |
| Accounts receivable   | (4.5)         | (12.6)        | (32.5)        | (27.0)        |
| Inventory   | 6.4           | (0.3)         | (2.4)         | (2.5)         |
| Prepaid and other current assets                            | (6.0)         | -             | -             | -             |
| Accounts payable  | 3.6           | (3.9)         | 13.2          | 16.1          |
| Employee benefits   | 0.3           | -             | -             | -             |
| Deferred income   | -             | -             | -             | -             |
| Income taxes (paid)/ refund received                        | -             | -             | -             | -             |
| <b>Cash from operating activities</b>                       | <b>76.9</b>   | <b>40.5</b>   | <b>46.5</b>   | <b>64.0</b>   |
| PPE   | (62.5)        | (41.8)        | (58.8)        | (65.6)        |
| Intangible assets   | -             | -             | -             | -             |
| Investments in debt securities                              | -             | -             | -             | -             |
| Finance income received                                     | -             | -             | -             | -             |
| <b>Cash from investing activities</b>                       | <b>(64.0)</b> | <b>(41.8)</b> | <b>(58.8)</b> | <b>(65.6)</b> |
| Proceeds (purchase) of common stock                         | 0.1           | 0.0           | -             | -             |
| Debt  | 22.9          | -             | -             | -             |
| Finance expenses paid                                       | (16.1)        | (7.6)         | -             | -             |
| Proceeds (repayment) finance lease liabilities              | (3.4)         | (1.3)         | -             | -             |
| Dividend and distribution tax                               | (3.4)         | -             | -             | -             |
| <b>Cash from financing activities</b>                       | <b>0.1</b>    | <b>(8.9)</b>  | <b>-</b>      | <b>-</b>      |
| FX  | -             | -             | -             | -             |
| Net change in cash  | 13.0          | (10.2)        | (12.2)        | (1.6)         |
| Cash at the beginning of period                             | 10.3          | 23.3          | 13.1          | 0.9           |
| <b>Cash at the end of period</b>                            | <b>23.3</b>   | <b>13.1</b>   | <b>0.9</b>    | <b>(0.8)</b>  |
| FCF   | 14.4          | (1.3)         | (12.2)        | (1.6)         |
| FCF / share   | \$0.08        | (\$0.01)      | (\$0.07)      | (\$0.01)      |

Note: Historical results and estimates assume constant currency USD/INR exchange rate of 65

Sources: Sidoti &amp; Company, LLC. estimates and company reports

**Table 3: Sify Technologies Ltd., Balance Sheet**

(Dollars in millions except where noted)

|                                     | F2020        | F2021        | F2022E       | F2023E       |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Cash                                | 35.7         | 25.5         | 13.2         | 11.6         |
| Restricted cash                     | 5.1          | 5.1          | 5.1          | 5.1          |
| Inventory                           | \$20.0       | \$20.4       | \$22.7       | \$25.2       |
| Accounts receivable                 | 185.7        | 198.3        | 230.7        | 257.8        |
| Prepaid expenses                    | 9.5          | 9.5          | 9.5          | 9.5          |
| <b>Total current assets</b>         | <b>256.0</b> | <b>258.8</b> | <b>281.3</b> | <b>309.2</b> |
| PPE                                 | 181.6        | 182.3        | 191.8        | 205.7        |
| Intangible assets                   | 10.5         | 10.5         | 10.5         | 10.5         |
| Lease payments                      | -            | -            | -            | -            |
| Other assets                        | 14.1         | 14.1         | 14.1         | 14.1         |
| Other investments                   | 0.6          | 0.6          | 0.6          | 0.6          |
| <b>Total assets</b>                 | <b>462.8</b> | <b>466.2</b> | <b>498.3</b> | <b>540.0</b> |
| Finance lease obligations           | -            | -            | -            | -            |
| Borrowings                          | 67.1         | 67.1         | 67.1         | 67.1         |
| Bank overdraft                      | 19.0         | 19.0         | 19.0         | 19.0         |
| Accounts payable                    | 139.6        | 135.7        | 148.9        | 164.9        |
| Deferred income                     | -            | -            | -            | -            |
| <b>Total current liabilities</b>    | <b>253.9</b> | <b>252.6</b> | <b>265.8</b> | <b>281.9</b> |
| Finance lease obligations           | -            | -            | -            | -            |
| Long-term debt                      | 57.6         | 57.6         | 57.6         | 57.6         |
| Employee benefits                   | 2.7          | 2.7          | 2.7          | 2.7          |
| Other liabilities                   | 38.2         | 38.2         | 38.2         | 38.2         |
| <b>Total liabilities</b>            | <b>352.4</b> | <b>351.2</b> | <b>364.3</b> | <b>380.4</b> |
| Share capital                       | 27.8         | 27.9         | 28.1         | 28.2         |
| Share premium                       | 297.8        | 297.8        | 297.8        | 297.8        |
| Share based payment reserve         | 5.4          | 5.4          | 5.4          | 5.4          |
| Other components of equity          | 1.4          | (10.2)       | (10.2)       | (10.2)       |
| Accumulated deficit                 | (157.8)      | (141.7)      | (123.0)      | (97.5)       |
| <b>Total stockholders' equity</b>   | <b>174.6</b> | <b>179.3</b> | <b>198.2</b> | <b>223.8</b> |
| <b>Total liabilities and equity</b> | <b>527.0</b> | <b>530.4</b> | <b>562.5</b> | <b>604.2</b> |
| ROE                                 | 6.3%         | 9.0%         | 9.9%         | 11.8%        |
| Total Debt-to-capital               | 41.7%        | 41.0%        | 38.6%        | 35.8%        |
| Net debt-to-TTM EBITDA              | 1.62x        | 1.44x        | 1.39x        | 1.24x        |
| Cash (debt) per share               | (\$0.58)     | (\$0.64)     | (\$0.70)     | (\$0.71)     |

Note: Historical results and estimates assume constant currency USD/INR exchange rate of 65

Sources: Sidoti &amp; Company, LLC. estimates and company reports

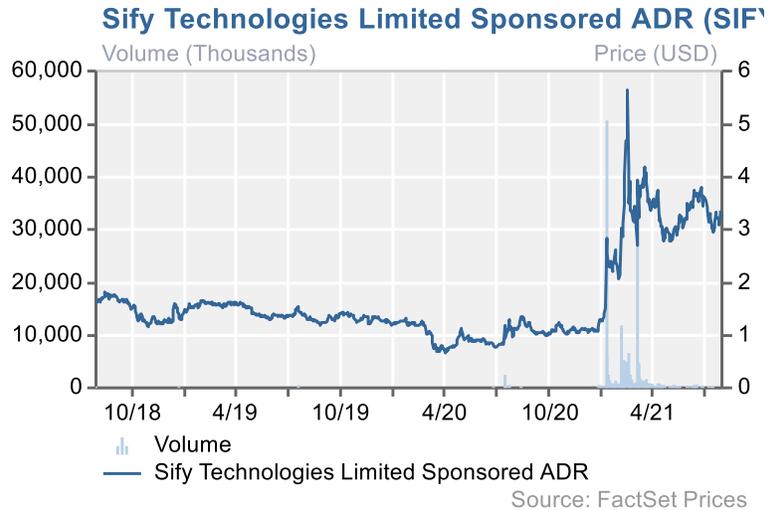
**Appendix**  
Required Disclosures

**Required Disclosures**

**Sify Technologies Limited Sponsored ADR (SIFY-\$3.37) NR Price Target: \$6 Risk Rating: M**

Rating and Price Target History Table

| Action Date | Px  | Rating | PT | Risk Rating |
|-------------|-----|--------|----|-------------|
| PT 12/23/20 | 1.1 |        | 4  |             |
| PT 1/28/21  | 2.3 |        | 5  |             |
| PT 5/4/21   | 2.8 |        | 5  |             |
| PT 5/7/21   | 2.9 |        | 6  |             |
| PT 7/26/21  | 3.2 |        | 6  |             |



|                  |   |                        |  |
|------------------|---|------------------------|--|
| <b>Valuation</b> | We maintain our \$6 price target on SIFY shares. While the pandemic is curbing economic growth in the near term, it does not change the long-term digital transformation of India's economy. We think Sify will be a primary beneficiary of this transformation. With the stock trading at 6.9x our projections on a F2023 EV/EBITDA basis, SIFY is valued at a significant discount to peers in the India Telecom and application and technology integration markets that trade in a range of 8x-12x EV/EBITDA. Given Sify's growth potential, we think the stock deserves to trade at the high-end of the peer group range. Our \$6 price target is based on 12x our F2023 EBITDA estimate of \$102 million, less projected net debt of \$130 million, to yield \$1,090 million, or \$6.15 on a per share basis. Given the company's growth potential and modest leverage, we maintain a Moderately Risky rating. |                        |  |
| <b>Key Risks</b> | Foreign exchange  | Concentrated ownership |  |

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