



## Sify Technologies Limited Sponsored ADR (SIFY)

**Although 4Q:F22 Revenue, EBITDA Missed Our Forecasts, We Remain Bullish On Sify's Prospects; Data Center Investments Will Capitalize On Growing Demand For Services; Maintain \$7 Target**

|              | F2021   |         | F2022   |          | F2023E   |          | F2024E   |  |
|--------------|---------|---------|---------|----------|----------|----------|----------|--|
|              |         | OLD     | NEW     | OLD      | NEW      | OLD      | NEW      |  |
| June         | \$0.01  | \$0.03A |         | \$0.03   | 0.01     | \$0.03   | \$0.01   |  |
| Sep.         | 0.02    | 0.03A   |         | 0.03     | 0.02     | 0.03     | 0.02     |  |
| Dec.         | 0.02    | 0.03A   |         | 0.04     | 0.03     | 0.04     | 0.03     |  |
| Mar.         | 0.03    | 0.04    | 0.03A   | 0.04     |          | 0.05     | 0.04     |  |
| EPS (FY)     | \$0.09  | \$0.13  | \$0.12  | \$0.14   | \$0.09   | \$0.15   | \$0.11   |  |
| EPS (Cal.)   | \$0.12  | \$0.14  | \$0.08E | \$0.14   | \$0.11   |          |          |  |
| P/E (FY)     |         |         |         |          | 31.8x    |          | 26.0x    |  |
| P/E (Cal.)   |         |         |         |          | 26.0x    |          |          |  |
| EBITDA (mil) | \$78.20 | \$96.30 | \$92.90 | \$112.80 | \$111.90 | \$138.40 | \$138.70 |  |
| EV / EBITDA  |         |         |         |          | 5.7x     |          | 4.6x     |  |

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2021-F2024E 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 amortization expense.

| Year       | F2015   | F2016   | F2017   | F2018   | F2019   | F2020   | F2021   | F2022   | F2023E  | F2024E  |
|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Rev.(Mil.) | \$197.9 | \$231.3 | \$283.6 | \$318.2 | \$331.5 | \$353.1 | \$374.1 | \$415.8 | \$497.1 | \$571.8 |
| GAAP EPS   | \$0.03  | \$0.04  | \$0.06  | \$0.08  | \$0.09  | \$0.06  | \$0.09  | \$0.12  | \$0.09  | \$0.11  |

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.

- Revenue in 4Q:F22 declined 0.8% year over year to \$104.7 million, missing our \$124.3 million forecast.
- Although revenue declined EBITDA still grew 5.6% to \$23.6 million, this also missed our \$26.9 million forecast.
- Sify's main growth engines, its Data Center and Cloud and Managed Services continued to produce solid growth; its lumpier project-based Technology and Application integration drove the miss.
- The 4Q:F22 miss versus our forecasts notwithstanding, secular trends in India continue to drive demand for Sify's services.
- Sify is ramping its Data Center investments to capitalize on the digital transformation occurring in India; although this lowers our near-term EPS estimates it lays the foundation for continued growth.
- With net debt of \$160 million, or 1.7x Sify's trailing twelve month EBITDA, we think the company remains in strong financial shape to make these investments.
- SIFY stock trades at less than 6.0x and 5.0x our F2023 and F2024 EBITDA estimates, which we do not think sufficiently credits Sify's growth and profitability prospects and modest leverage.
- We maintain our price target of \$7, which is based on 11x our F2024 EBITDA estimate of \$138.7 million, less projected net debt of \$286 million.
- Given the company's growth potential and modest leverage we maintain our Moderately Risky rating.

**Revenue in 4Q:F22 was lower than we projected.** Revenue in 4Q:F22 declined 0.8% to \$104.7 million, missing our \$124.3 million forecast. Sify consolidates its Cloud and Managed services, Technology Integration Services, and Application Integration Services under the

**NR**

Price Target: \$7

Price: \$2.86

Risk Rating: M

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### Key Statistics

|                               |          |
|-------------------------------|----------|
| Analysts Covering             | 1        |
| Market Cap (Mil)              | \$510    |
| Enterprise Value              | \$641    |
| 52-Week Range (NASDAQ)        | 4-3      |
| 5-Year EPS CAGR               | 20%      |
| Avg. Daily Trading Volume     | 147,000  |
| 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 (F2024E)        | (\$0.40) |
| FCF Yield (F2024E)            | -14.0%   |
| Net Cash Per Share (F2024E)   | (\$1.61) |
| Price to Book Value           | 2.9x     |
| Return on Equity (F2024E)     | 10.7%    |
| Total Debt to Capital         | 50%      |
| Interest Coverage Ratio       | 2.7x     |
| Short Interest %              | N/A%     |
| Short Interest Days To Cover  | 4.0      |
| Russell 2000                  | 1,990    |
| Russell 2000 – Last 12 Months | -12.0%   |
| SIFY – Last 12 Months         | -6.8%    |



banner of its Digital services segment which as a whole declined 27% in 4Q:F22. We think growth in Cloud and Managed services was likely consistent with the 23% growth this business delivered in the first nine months of F2022. The more project-based Technology Integration and Application Integration services can lead to lumpy results, and we think that was likely reason for the revenue miss in 4Q:F22. In its remaining segments Sify saw steady growth from its Data Center colocation services, a primary growth engine for the company with revenue rising 20% in 4Q:F22. Finally, Sify's Network services, which is benefitting from growing data usage in India, increased 9.6% from a year ago.

**EBITDA also missed our expectations.** The gross margin declined to 40.1% from 41.5% a year ago. However, Management has maintained a tight control on spending, and operating expenditures as a percentage of revenue declined and were lower than we projected. As a result, despite the slight decline in revenue, EBITDA still grew 5.6% to \$23.6 million; this was however below our \$26.9 million estimate. Net income declined 10.5% due to higher depreciation and interest expense tied to Sify's Data Center and network investments and EPS of \$0.03 also missed our \$0.04 estimate.

**Although revenue missed our expectations in 4Q:F22, we are still confident in Sify's growth potential.** Management remains bullish on the trajectory of the Indian economy. Government policy supports the digital transformation of India's economy and enterprises' increasing investing to upgrade their IT infrastructure to support their digital initiatives. Thus, we think demand for Sify's Data Center and Network infrastructure and its Digital services will remain strong. In order to capitalize on the favorable secular trends driving demand for its services, Sify is accelerating its Data Center investments. The company currently has 100 megawatts of capacity and management intends to double its Data Center capacity over the next 12-18 months. Higher depreciation and interest expense will lower earnings in the near-term, but this investment will provide the foundation for steady long-term growth for Sify.

|               | <u>4Q:F22E</u> | <u>4Q:F22A</u> | <u>Var</u> | <u>4Q:F21A</u> | <u>4Q:F22A</u> | <u>% Change</u> |
|---------------|----------------|----------------|------------|----------------|----------------|-----------------|
| Total revenue | \$124.3        | 104.7          | (19.6)     | \$105.5        | 104.7          | (0.8%)          |
| Gross Profit  | 49.2           | 42.0           | (7.2)      | 43.8           | 42.0           | (4.1%)          |
| (%)           | 39.6%          | 40.1%          |            | 41.5%          | 40.1%          |                 |
| EBITDA        | 26.9           | 23.6           | (3.3)      | 22.4           | 23.6           | 5.4%            |
| (%)           | 21.6%          | 22.5%          |            | 21.2%          | 22.5%          |                 |
| Diluted EPS   | \$0.04         | \$0.03         | (\$0.01)   | \$0.03         | \$0.03         | 0.0%            |

Sources: Sidoti & Company, LLC estimates and company filings

#### Valuation

**We maintain our price target of \$7 on SIFY shares.** The pandemic curbed economic growth in India for a short period but it did not change the long-term trajectory of the digital transformation of India's economy. We think Sify will be a primary beneficiary of this transformation. With the stock trading at just 6x our projections on a F2023 EV/EBITDA basis, and 5x our F2024 forecast SIFY is valued at a significant discount to peers in the India Telecom and application and technology integration market players 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 \$7 price target is based on 11x our F2024 EBITDA estimate of \$138.7 million, less projected net debt of \$286 million, to yield \$1,240 million, or \$7.00 on a per share basis. Given the company's growth potential and modest leverage, we maintain a Moderately Risky rating.

#### Key Risks

Foreign exchange

Concentrated ownership

SIFY TECHNOLOGIES LIMITED SPONSORED ADR

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

(Dollars in millions except where noted)

|                                     | Jun           | Sep           | Dec           | Mar           | F2021         | Jun           | Sep           | Dec           | Mar           | F2022         | JunE          | SepE          | DecE          | MarE          | F2023E        | F2024E        |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total revenue</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>107.5</b>  | <b>104.4</b>  | <b>104.7</b>  | <b>415.8</b>  | <b>110.7</b>  | <b>121.5</b>  | <b>127.1</b>  | <b>137.9</b>  | <b>497.1</b>  | <b>571.8</b>  |
| <b>COGS</b>                         | 47.7          | 56.1          | 60.6          | 61.7          | 226.1         | 60.1          | 64.6          | 60.5          | 62.7          | 247.9         | 65.0          | 71.1          | 73.0          | 80.3          | 289.5         | 326.5         |
| <b>Gross profit</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>42.8</b>   | <b>43.9</b>   | <b>42.0</b>   | <b>167.9</b>  | <b>45.7</b>   | <b>50.3</b>   | <b>54.0</b>   | <b>57.6</b>   | <b>207.6</b>  | <b>245.3</b>  |
| SG&A                                | 15.4          | 16.4          | 16.5          | 21.4          | 69.8          | 16.8          | 20.1          | 19.7          | 18.4          | 74.9          | 22.2          | 24.2          | 24.4          | 24.8          | 95.6          | 106.6         |
| <b>EBITDA</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>22.7</b>   | <b>24.2</b>   | <b>23.6</b>   | <b>92.9</b>   | <b>23.4</b>   | <b>26.1</b>   | <b>29.6</b>   | <b>32.7</b>   | <b>111.9</b>  | <b>138.7</b>  |
| D&A                                 | 10.1          | 10.3          | 10.9          | 12.3          | 43.6          | 12.3          | 12.2          | 12.9          | 13.2          | 50.5          | 13.9          | 14.5          | 15.2          | 16.1          | 59.6          | 75.4          |
| <b>EBIT</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>10.6</b>   | <b>11.4</b>   | <b>10.5</b>   | <b>42.4</b>   | <b>9.5</b>    | <b>11.7</b>   | <b>14.5</b>   | <b>16.6</b>   | <b>52.3</b>   | <b>63.3</b>   |
| Interest and other expense (income) | 3.6           | 2.2           | 3.3           | 3.0           | 12.2          | 3.5           | 3.9           | 4.3           | 4.1           | 15.8          | 8.0           | 8.0           | 8.0           | 8.0           | 31.8          | 36.4          |
| Other expense (income)              | (0.1)         | (0.5)         | (0.6)         | (1.0)         | (2.2)         | (0.2)         | (0.4)         | (0.3)         | (0.9)         | (1.8)         | (0.5)         | (0.5)         | (0.5)         | (0.5)         | (2.2)         | (2.2)         |
| <b>EBT</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>7.1</b>    | <b>7.3</b>    | <b>7.2</b>    | <b>28.4</b>   | <b>2.1</b>    | <b>4.2</b>    | <b>7.0</b>    | <b>9.2</b>    | <b>22.6</b>   | <b>29.1</b>   |
| Taxes                               | 1.4           | 2.4           | 2.3           | 2.4           | 8.5           | 1.7           | 1.6           | 2.0           | 2.2           | 7.6           | 0.6           | 1.3           | 2.1           | 2.8           | 6.8           | 8.7           |
| <b>Net income</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>5.5</b>    | <b>5.3</b>    | <b>5.0</b>    | <b>20.8</b>   | <b>1.5</b>    | <b>3.0</b>    | <b>4.9</b>    | <b>6.4</b>    | <b>15.8</b>   | <b>20.3</b>   |
| <b>EPS - diluted</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>\$0.03</b> | <b>\$0.03</b> | <b>\$0.03</b> | <b>\$0.12</b> | <b>\$0.01</b> | <b>\$0.02</b> | <b>\$0.03</b> | <b>\$0.04</b> | <b>\$0.09</b> | <b>\$0.11</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                        | 41.0%         | 38.2%         | 37.5%         | 41.5%         | 39.6%         | 39.5%         | 39.9%         | 42.0%         | 40.1%         | 40.4%         | 41.3%         | 41.4%         | 42.5%         | 41.7%         | 41.8%         | 42.9%         |
| EBITDA                              | 21.9%         | 20.2%         | 20.5%         | 21.2%         | 20.9%         | 22.5%         | 21.1%         | 23.2%         | 22.6%         | 22.3%         | 21.2%         | 21.5%         | 23.3%         | 23.7%         | 22.5%         | 24.3%         |
| Operating margin                    | 9.4%          | 8.8%          | 9.2%          | 9.5%          | 9.3%          | 10.1%         | 9.8%          | 10.9%         | 10.0%         | 10.2%         | 8.6%          | 9.6%          | 11.4%         | 12.1%         | 10.5%         | 11.1%         |
| Net margin                          | 3.3%          | 4.4%          | 4.0%          | 5.3%          | 4.3%          | 5.1%          | 5.1%          | 5.1%          | 4.8%          | 5.0%          | 1.3%          | 2.4%          | 3.9%          | 4.7%          | 3.2%          | 3.6%          |
| <b>Growth YoY</b>                   |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| <b>YoY</b>                          |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Total revenue                       | (4.7%)        | 1.6%          | 7.0%          | 19.6%         | 6.0%          | 22.7%         | 18.4%         | 7.6%          | (0.8%)        | 11.1%         | 11.5%         | 13.0%         | 21.8%         | 31.7%         | 19.6%         | 15.0%         |
| Gross profit                        | 9.6%          | 4.4%          | 9.4%          | 25.4%         | 12.4%         | 18.0%         | 23.7%         | 20.6%         | (4.1%)        | 13.4%         | 16.7%         | 17.4%         | 23.1%         | 37.1%         | 23.6%         | 18.2%         |
| EBITDA                              | 31.9%         | 12.1%         | 17.0%         | 40.0%         | 24.8%         | 26.1%         | 24.2%         | 21.9%         | 5.6%          | 18.8%         | 4.7%          | 15.1%         | 22.3%         | 38.6%         | 20.4%         | 24.0%         |
| EBIT                                | 31.9%         | 12.1%         | 17.0%         | 40.0%         | 24.8%         | 26.1%         | 24.2%         | 21.9%         | 5.6%          | 18.8%         | 4.7%          | 15.1%         | 22.3%         | 38.6%         | 20.4%         | 24.0%         |
| EPS                                 | (20.4%)       | 34.6%         | 53.7%         | 171.1%        | 48.1%         | 91.3%         | 38.5%         | 36.5%         | (10.5%)       | 29.7%         | (70.8%)       | (45.9%)       | (7.0%)        | 28.7%         | (24.1%)       | 28.7%         |

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

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

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

(Dollars in millions except where noted)

|   | <b>F2021</b>  | <b>F2022</b>   | <b>F2023E</b>  | <b>F2024E</b>  |
|---|---------------|----------------|----------------|----------------|
| Net income  | \$23.6        | \$20.8         | \$15.8         | \$20.3         |
| D&A   | 43.6          | 50.5           | 59.6           | 75.4           |
| Provision for doubtful accounts                             | 11.6          | -              | -              | -              |
| Stock compensation  | 0.6           | 0.2            | 0.2            | 0.2            |
| Net finance (income) / expense                              | 12.2          | -              | -              | -              |
| Unrealized (gain) / loss on account of exchange differences | 0.1           | -              | -              | -              |
| Amortization of leasehold prepayments                       | -             | -              | -              | -              |
| Accounts receivable   | 16.5          | (50.0)         | 0.7            | (1.3)          |
| Inventory   | (1.7)         | (0.5)          | (3.7)          | (3.3)          |
| Prepaid and other current assets                            | (2.5)         | -              | -              | -              |
| Accounts payable  | 3.5           | 4.4            | 4.3            | 2.9            |
| Employee benefits   | 0.3           | -              | -              | -              |
| Deferred income   | -             | -              | -              | -              |
| Income taxes (paid)/ refund received                        | (1.6)         | -              | -              | -              |
| <b>Cash from operating activities</b>                       | <b>107.2</b>  | <b>25.3</b>    | <b>76.9</b>    | <b>94.2</b>    |
| PPE   | (40.9)        | (109.9)        | (162.4)        | (166.2)        |
| Intangible assets   | (4.7)         | -              | -              | -              |
| Investments in debt securities                              | (0.1)         | (3.7)          | -              | -              |
| Finance income received                                     | 2.2           | -              | -              | -              |
| <b>Cash from investing activities</b>                       | <b>(55.7)</b> | <b>(113.7)</b> | <b>(162.4)</b> | <b>(166.2)</b> |
| Proceeds (purchase) of common stock                         | 3.8           | 0.4            | -              | -              |
| Debt  | 24.1          | 89.6           | 66.2           | 35.4           |
| Finance expenses paid                                       | (14.9)        | (7.9)          | -              | -              |
| Proceeds (repayment) finance lease liabilities              | (3.5)         | (1.7)          | -              | -              |
| Dividend and distribution tax                               | -             | -              | -              | -              |
| <b>Cash from financing activities</b>                       | <b>9.5</b>    | <b>80.5</b>    | <b>66.2</b>    | <b>35.4</b>    |
| FX  | -             | -              | -              | -              |
| Net change in cash  | 61.0          | (7.9)          | (19.3)         | (36.6)         |
| Cash at the beginning of period                             | 23.3          | 84.3           | 76.4           | 57.1           |
| <b>Cash at the end of period</b>                            | <b>84.3</b>   | <b>76.4</b>    | <b>57.1</b>    | <b>20.5</b>    |
| FCF   | 66.3          | (84.6)         | (85.5)         | (72.0)         |
| FCF / share   | \$0.37        | (\$0.48)       | (\$0.48)       | (\$0.40)       |

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)

|                                     | <b>F2021</b> | <b>F2022</b> | <b>F2023E</b> | <b>F2024E</b> |
|-------------------------------------|--------------|--------------|---------------|---------------|
| Cash                                | 78.5         | 70.6         | 51.3          | 14.7          |
| Restricted cash                     | 6.2          | 6.2          | 6.2           | 6.2           |
| Inventory                           | \$21.8       | \$22.3       | \$26.1        | \$29.4        |
| Accounts receivable                 | 149.6        | 199.6        | 198.8         | 200.1         |
| Prepaid expenses                    | 8.8          | 8.8          | 8.8           | 8.8           |
| <b>Total current assets</b>         | <b>264.7</b> | <b>307.4</b> | <b>291.1</b>  | <b>259.2</b>  |
| PPE                                 | 192.3        | 295.6        | 398.3         | 489.0         |
| Intangible assets                   | 10.7         | 10.7         | 10.7          | 10.7          |
| Lease payments                      | -            | -            | -             | -             |
| Other assets                        | 13.0         | 13.0         | 13.0          | 13.0          |
| Other investments                   | 3.3          | 3.3          | 3.3           | 3.3           |
| <b>Total assets</b>                 | <b>484.0</b> | <b>630.0</b> | <b>716.4</b>  | <b>775.2</b>  |
| Finance lease obligations           | -            | -            | -             | -             |
| Borrowings                          | 88.7         | 114.9        | 150.3         | 185.6         |
| Bank overdraft                      | 1.9          | 1.9          | 1.9           | 1.9           |
| Accounts payable                    | 141.9        | 146.3        | 150.6         | 153.4         |
| Deferred income                     | -            | -            | -             | -             |
| <b>Total current liabilities</b>    | <b>260.3</b> | <b>309.6</b> | <b>349.3</b>  | <b>387.6</b>  |
| Finance lease obligations           | -            | -            | -             | -             |
| Long-term debt                      | 56.0         | 119.5        | 119.5         | 119.5         |
| Employee benefits                   | 3.0          | 3.0          | 3.0           | 3.0           |
| Other liabilities                   | 42.2         | 42.2         | 42.2          | 42.2          |
| Compulsory convertible debentures   | -            | -            | 30.8          | 30.8          |
| Other                               | -            | -            | -             | -             |
| Other                               | -            | -            | -             | -             |
| <b>Total liabilities</b>            | <b>361.5</b> | <b>474.3</b> | <b>544.8</b>  | <b>583.0</b>  |
| Share capital                       | 28.2         | 28.4         | 28.5          | 28.7          |
| Share premium                       | 302.0        | 302.0        | 302.0         | 302.0         |
| Share based payment reserve         | 5.2          | 5.2          | 5.2           | 5.2           |
| Other components of equity          | 1.4          | 13.6         | 13.6          | 13.6          |
| Accumulated deficit                 | (134.2)      | (113.4)      | (97.6)        | (77.3)        |
| <b>Total stockholders' equity</b>   | <b>202.5</b> | <b>235.8</b> | <b>251.7</b>  | <b>272.2</b>  |
| <b>Total liabilities and equity</b> | <b>564.1</b> | <b>710.1</b> | <b>796.5</b>  | <b>855.3</b>  |
| ROE                                 | 8.1%         | 10.0%        | 6.7%          | 7.8%          |
| Total Debt-to-capital               | 41.7%        | 49.9%        | 51.7%         | 52.9%         |
| Net debt-to-TTM EBITDA              | 0.79x        | 1.71x        | 1.91x         | 2.06x         |
| Cash (debt) per share               | (\$0.35)     | (\$0.90)     | (\$1.20)      | (\$1.61)      |

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

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

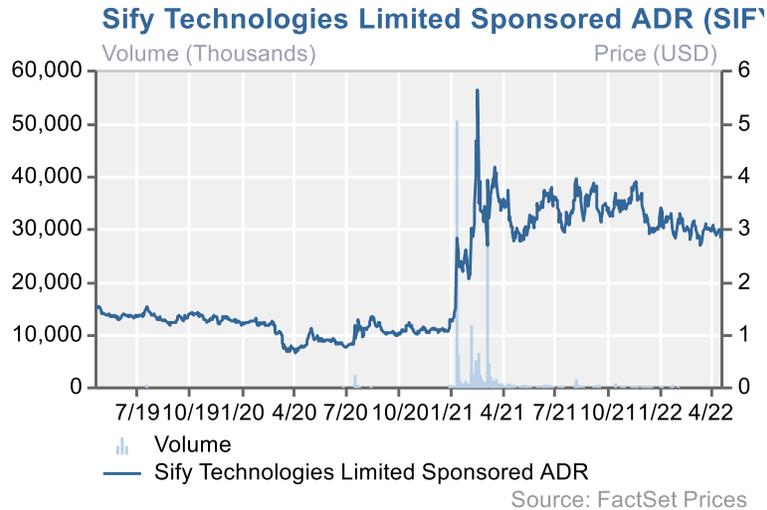
**Appendix**  
Required Disclosures

**Required Disclosures**

**Sify Technologies Limited Sponsored ADR (SIFY-\$2.86) NR Price Target: \$7 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  |             |
| PT 7/30/21  | 3.4 |        | 6  |             |
| PT 9/14/21  | 3.4 |        | 6  |             |
| PT 10/29/21 | 3.5 |        | 7  |             |
| PT 11/9/21  | 3.6 |        | 7  |             |
| PT 1/18/22  | 3.2 |        | 7  |             |
| PT 1/24/22  | 3   |        | 7  |             |



|                  |  |                        |  |
|------------------|--|------------------------|--|
| <b>Valuation</b> | <p>We maintain our price target of \$7 on SIFY shares. The pandemic curbed economic growth in India for a short period but it did not change the long-term trajectory of the digital transformation of India's economy. We think Sify will be a primary beneficiary of this transformation. With the stock trading at just 6x our projections on a F2023 EV/EBITDA basis, and 5x our F2024 forecast SIFY is valued at a significant discount to peers in the India Telecom and application and technology integration market players 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 \$7 price target is based on 11x our F2024 EBITDA estimate of \$138.7 million, less projected net debt of \$286 million, to yield \$1,240 million, or \$7.00 on a per share basis. Given the company's growth potential and modest leverage, we maintain a Moderately Risky rating.</p> |                        |  |
| <b>Key Risks</b> | Foreign exchange   | Concentrated ownership |  |

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