

SIFY LTD
Form 6-K
November 12, 2003

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**United States
Securities and Exchange Commission
Washington, DC 20549**

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934
For the quarter ended September 30, 2003

Commission File Number 000-27663

SIFY LIMITED

(Exact name of registrant as specified in its charter)

Not Applicable
(Translation of registrant's name into English)

Republic of India
(Jurisdiction of incorporation or organization)

Tidel Park, 2nd Floor
No. 4, Canal Bank Road, Taramani, Chennai 600 113 India
(91) 44-2254-0777
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20F Form 40 F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If Yes is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b). Not applicable.

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Sify Limited is incorporating by reference the information and exhibits set forth in this Form 6-K into its registration statements on Form S-8 (Registration Nos. 333-101322 and 333-107938) and on Form F-3 (Registration No. 333-101915).

Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references herein to we, us, the company or Sify are to Sify Limited (formerly known as Satyam Infoway Limited), a limited liability company organized under the laws of the Republic of India. References to U.S. or the United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. Until December 2002, we were a majority-owned subsidiary of Satyam Computer Services Limited (Satyam Computer Services), a leading Indian information technology services company which is traded on the New York Stock Exchange and the major Indian stock exchanges. In January 2003, we changed the name of our company from Satyam Infoway Limited to Sify Limited. Satyam is a trademark owned by Satyam Computer Services, which has licensed the use of the Satyam trademark to us subject to specified conditions. Sify.com, Sify, Sify iway, SifyOnline, SatyamOnline, Satyam Net, satyamonline.com and Satyam iway are trademarks used by us for which we have registration applications pending in India. All other trademarks or tradenames used in this quarterly report are the property of their respective owners.

In this report, references to \$, US\$, Dollars or U.S. dollars are to the legal currency of the United States, references to GBP are to the currency of United Kingdom and references to Rs., rupees or Indian Rupees are to the legal currency of India. References to a particular fiscal year are to our fiscal year ended March 31 of that year.

For your convenience, this report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this report, all translations from Indian rupees to U.S. dollars contained in this report have been based on the noon buying rate in the City of New York on September 30, 2003 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on September 30, 2003 was Rs. 45.78 per \$1.00.

Our financial statements are prepared in Indian rupees and presented in accordance with United States generally accepted accounting principles or U.S. GAAP. In this report, any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Information contained in our websites, including our principal corporate website, www.sifycorp.com, is not part of this report.

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Forward-looking Statements May Prove Inaccurate

IN ADDITION TO HISTORICAL INFORMATION, THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED ITEM 2-OPERATING AND FINANCIAL REVIEW AND PROSPECTS-RISKS RELATED TO OUR BUSINESS AND ELSEWHERE IN THIS REPORT. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE OF THIS REPORT. IN ADDITION, YOU SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS REPORT AND IN OUR PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE SEC) FROM TIME TO TIME. OUR FILINGS WITH THE SEC ARE AVAILABLE ON ITS WEBSITE, WWW.SEC.GOV.

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SIFY LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data and as otherwise stated)

	March 31,	September 30,	
	2003	2003 (Unaudited)	
ASSETS			
Current assets:			
Cash and cash equivalents	Rs. 897,596	Rs. 1,085,523	\$ 23,712
Cash - restricted	74,612	148,306	3,239
Accounts receivable	346,270	393,470	8,595
Due from officers and employees	982	4,182	91
Due from related parties	16,016	30,809	673
Inventories	39,971	19,536	427
Prepaid expenses	124,785	153,578	3,355
Other current assets	72,948	105,231	2,299
Total current assets	1,573,180	1,940,635	42,391
Cash - restricted	100,010	100,029	2,185
Property, plant and equipment-net	1,542,829	1,287,291	28,119
Goodwill and other intangible assets	166,983	120,485	2,633
Investments in affiliated companies	140,053	126,778	2,769
Investments in securities	1,140		
Other assets	176,192	163,133	3,563
Total assets	Rs. 3,700,387	Rs. 3,738,351	\$ 81,660
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Current installments of capital lease obligations	2,482	5,250	115
Trade accounts payable	82,635	106,918	2,335
Accrued liabilities	278,256	330,747	7,225
Deferred revenue	289,297	336,471	7,350
Advances from customers	26,171	48,340	1,056
Other current liabilities	60,520	58,570	1,279
Total current liabilities	739,361	886,296	19,360
Capital lease obligations, excluding current installments	3,767	5,836	127
Other liabilities	65,864	68,270	1,491
Total liabilities	808,992	960,402	20,978
Minority interest	2,699	2,544	56
Stockholders equity			
Common stock, Rs 10 par value; 37,500,000 equity shares authorized; Issued and outstanding: 32,795,200 shares as of March 31, 2003 and 34,856,083 as of September 30, 2003			
	327,952	348,561	7,614
Additional paid-in capital	14,326,742	14,481,574	316,330
Deferred compensation - employee stock offer plan	(24,839)	(25,013)	(546)

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Accumulated deficit	(11,737,769)	(12,029,717)	(262,772)
Accumulated other comprehensive income	(3,390)		
	<u> </u>	<u> </u>	<u> </u>
Total stockholders equity	2,888,696	2,775,405	60,626
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and stockholders equity	Rs. 3,700,387	Rs. 3,738,351	\$ 81,660
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See accompanying notes to unaudited condensed consolidated financial statements

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SIFY LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data and as otherwise stated)

	Quarter ended September 30,			Six months ended September 30,		
	2002		2003		2003	
Revenues	Rs. 445,568	Rs. 588,796	\$ 12,861	Rs. 835,931	Rs. 1,142,807	\$ 24,963
Initial services charges	16,511	57,524	1,257	28,039	91,519	1,999
Revenue from related parties	1,953	17,435	381	4,582	30,454	665
Total revenue	464,032	663,755	14,499	868,552	1,264,780	27,627
Cost of revenues	325,188	336,912	7,359	631,847	657,755	14,368
Selling, general and administrative expenses	269,713	328,260	7,170	528,981	618,330	13,506
Provision for doubtful receivables and advances	41,538	16,288	356	84,748	54,364	1,188
Depreciation	231,940	118,295	2,584	352,368	239,301	5,227
Amortization of intangible asset	26,650	34,784	760	128,306	48,828	1,067
Amortization of deferred stock compensation expense	10,177	7,052	154	16,750	15,887	347
Foreign exchange (gain) / loss	1,014	8,529	186	(10,829)	22,628	494
Total operating expenses	906,220	850,120	18,569	1,732,171	1,657,093	36,197
Operating loss	(442,188)	(186,365)	(4,070)	(863,619)	(392,313)	(8,570)
Other income, net	9,769	103,339	2,257	15,985	116,111	2,537
Loss before taxes, equity in losses of affiliates and minority interest	(432,419)	(83,026)	(1,813)	(847,634)	(276,202)	(6,033)
Equity in losses of affiliates	(14,321)	(2,230)	(49)	(30,590)	(15,744)	(344)
Minority interest	10,557	532	12	12,290	70	2
Losses before income taxes	(436,183)	(84,724)	(1,850)	(865,934)	(291,876)	(6,375)
Taxes	1,041	(71)	(2)	5,177	(72)	(2)
Net loss	Rs. (435,142)	Rs. (84,795)	\$ (1,852)	Rs. (860,757)	Rs. (291,948)	\$ (6,377)
Net loss per share	(18.75)	(2.44)	(0.05)	(37.10)	(8.55)	(0.19)
Weighted average equity shares used in computing loss per equity share	23,202,176	34,822,821	34,822,821	23,202,176	34,165,814	34,165,814

See accompanying notes to unaudited condensed consolidated financial statements

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SIFY LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share data and as otherwise stated)

	Six months ended September 30,		
	2002	2003	2003
Net loss from continuing operations	Rs. (860,757)	Rs. (291,948)	\$ (6,377)
Adjustments to reconcile net loss to net cash provided by/ (used in) operating activities:			
Depreciation and amortization	497,424	304,016	6,641
Equity in losses of affiliates	30,590	15,744	344
Loss/ (profit) on sale of assets, including investment	720	(75,999)	(1,660)
Provision for doubtful receivables and advances	84,748	54,364	1,188
Inventory write down	19,217	3,840	84
Minority interest	(8,276)	(155)	(3)
Others	(8,150)	20,342	445
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(7,367)	(101,564)	(2,219)
Due from officers and employees	27,727	(111)	(2)
Due from related parties	9,713	(14,793)	(323)
Inventories	(1,619)	16,595	362
Prepaid expenses	(12,587)	(28,793)	(629)
Other assets	(28,858)	(12,851)	(281)
Trade accounts payable and accrued liabilities	(43,282)	62,386	1,362
Deferred revenue	74,387	47,174	1,030
Advances from customers	1,154	22,169	484
Other liabilities	7,517	456	10
Net cash provided by / (used in) operating activities	Rs. (217,699)	Rs. 20,872	\$ 456
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(92,046)	(148,000)	(3,233)
Proceeds from sale of property, plant and equipment	10,933	253,055	5,528
Expenditure on intangible asset	(35,117)	(2,331)	(51)
Expenditure on investment in affiliates	(38,111)	(2,469)	(54)
Net movement in cash - restricted	(12,368)	(73,713)	(1,610)
Proceeds from sale of investments in securities and other asset		7,356	160
Net cash provided by / (used in) investing activities	Rs. (166,709)	Rs. 33,898	\$ 740
Cash flows from financing activities:			
Principal payments under capital lease obligations	(719)	(3,913)	(85)
Net proceeds from issuance of common stock		159,380	3,481
Net cash provided by / (used in) financing activities	Rs. (719)	Rs. 155,467	\$ 3,396
Effect of exchange rate changes on cash	851	(22,310)	(487)
Net increase / (decrease) in cash and cash equivalents	(384,276)	187,927	4,105
Cash and cash equivalents at the beginning of the period	658,111	897,596	19,607
Cash and cash equivalents at the end of the period	Rs. 273,835	Rs. 1,085,523	\$ 23,712

See accompanying notes to unaudited condensed consolidated financial statements

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SIFY LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND
COMPREHENSIVE INCOME

(In thousands, except share data and as otherwise stated)

	Common stock		Additional paid in capital	comprehensive income
	Shares	Par value		
Balance as of March 31, 2003	32,795,200	Rs. 327,952	Rs 14,326,742	
Issue of common stock (net of expenses)	2,060,883	20,609	138,771	
Compensation related to stock option grants			19,299	
Amortization of compensation related to stock option grants (net of forfeiture reversals)			(3,238)	
Comprehensive income				