

SIFY LTD
Form 6-K
February 17, 2005

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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 December 31, 2004**

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)

Chennai, Tamilnadu, 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 20-F 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.

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 Nos.
333-101915 and 333-121047).

The number of equity shares of the Registrant outstanding as on January 27, 2005 was 35,377,361.

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SIFY LIMITED

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For the Quarter ended December 31, 2004

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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 licensed the use of the Satyam trademark to us subject to specified conditions.

Sify.com, Sify, Sify iway, SifyOnline, SatyamOnline, SatyamNet, satyamonline.com and Satyam iway 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, 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 December 31, 2004 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on December 31, 2004 was Rs.43.27 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.

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 RISK FACTORS 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.

Table of Contents**Item 1. Financial Statements****SIFY LIMITED AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**
(in thousands, except share data and as otherwise stated)

	As at March 31, 2004	As at December 31, 2004 (Unaudited)	
ASSETS			
Current assets:			
Cash and cash equivalents	Rs. 1,325,803	Rs. 1,561,852	\$ 36,095
Cash restricted	101,587	16,883	390
Accounts receivable	493,980	460,278	10,637
Due from employees		2,886	67
Due from related parties	13,030	24,660	570
Inventories	20,759	32,955	762
Prepaid expenses	106,957	92,589	2,140
Net investment in leases		9,285	215
Other current assets	123,571	153,476	3,547
Total current assets	2,185,687	2,354,864	54,423
Cash restricted	10,146	7,472	173
Net investment in leases		22,147	512
Property, plant and equipment-net	1,249,798	1,208,193	27,922
Goodwill and other intangible assets	125,622	86,151	1,991
Investments in affiliated companies	140,508	176,073	4,069
Other assets	87,312	91,891	2,123
Total assets	Rs. 3,799,073	Rs. 3,946,791	\$ 91,213
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Current installments of capital lease obligations	5,851	6,743	155
Trade accounts payable	220,322	281,279	6,501
Accrued liabilities	317,228	402,418	9,300
Deferred revenue	341,953	417,569	9,650
Due to employees	326	1,626	38
Advances from customers	83,670	72,431	1,674
Other current liabilities	56,182	92,496	2,138
Total current liabilities	1,025,532	1,274,562	29,456
Capital lease obligations, excluding current installments	5,151	5,325	123
Other liabilities	51,127	57,909	1,338
Total liabilities	1,081,810	1,337,796	30,917

Minority interest	1,595	1,595	37
Stockholders equity			
Equity shares, Rs 10 par value; 37,500,000 shares authorized; Issued and outstanding: 34,900,993 shares as of March 31, 2004 and 35,377,361 shares as of December 31, 2004.	349,010	353,774	8,176
Additional paid-in capital	14,490,037	14,563,578	336,574
Deferred compensation employee stock offer plan	(14,326)	(4,946)	(114)
Accumulated deficit	(12,109,053)	(12,305,006)	(284,377)
Total stockholders equity	2,715,668	2,607,400	60,259
Total liabilities and stockholders equity	Rs. 3,799,073	Rs. 3,946,791	\$ 91,213

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents**SIFY LIMITED AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
(in thousands, except share data and as otherwise stated)

	Quarter ended December 31,			Nine months ended December 31,		
	2003	2004	2004	2003	2004	2004
Revenues	Rs. 702,194	Rs. 934,434	\$ 21,595	Rs. 1,936,520	Rs. 2,544,468	\$ 58,804
Revenue from related parties	9,253	11,205	259	39,707	39,805	920
Total Revenue	711,447	945,639	21,854	1,976,227	2,584,273	59,724
Cost of revenues	376,366	529,207	12,230	1,034,121	1,417,699	32,764
Selling, general and administrative expenses	312,303	364,805	8,431	930,633	1,012,359	23,397
Provision for doubtful receivables and advances	7,949	13,745	319	62,313	39,489	913
Depreciation	121,323	130,097	3,007	360,624	374,366	8,652
Amortization of intangible assets	12,103	12,938	299	60,931	39,471	912
Amortization of deferred stock compensation expense	6,620	2,690	62	22,507	9,400	217
Foreign exchange loss	1,831	32,852	759	24,459	3,040	70
Total operating expenses	838,495	1,086,334	25,107	2,495,588	2,895,824	66,925
Operating loss	(127,048)	(140,695)	(3,253)	(519,361)	(311,551)	(7,201)
Other income, net	15,245	28,389	656	131,356	80,033	1,850
Loss before taxes, equity in losses of affiliates and minority interest	(111,803)	(112,306)	(2,597)	(388,005)	(231,518)	(5,351)
Equity in (losses) / profits of affiliates	9,321	17,294	400	(6,423)	35,565	822
Minority interest	9			79		

Losses before income taxes	(102,473)	(95,012)	(2,197)	(394,349)	(195,953)	(4,529)
Taxes				(72)		
Net loss	Rs. (102,473)	Rs. (95,012)	\$ (2,197)	Rs. (394,421)	Rs. (195,953)	\$ (4,529)
Net loss per share	(2.94)	(2.70)	(0.06)	(11.47)	(5.59)	(0.13)
Weighted equity shares used in computing loss per equity share	34,857,882	35,201,019	35,201,019	34,397,342	35,083,277	35,083,277

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents**SIFY LIMITED AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(in thousands, except share data and as otherwise stated)

	Nine months ended December 31,		
	2003	2004	2004
	Rs. (394,421)	Rs. (195,953)	\$ (4,529)
Net loss			
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:			
Depreciation, amortization of intangible assets and deferred stock compensation	444,062	423,237	9,781
Equity in losses / (profits) of affiliates	6,423	(35,565)	(822)
Gain on sale of investments	(76,054)	(15,710)	(363)
Loss on sale of property, plant and equipment	44	230	5
Provision for doubtful receivables and advances	62,313	39,489	913
Minority interest	(79)		
Translation loss on cash and cash equivalents	25,535	1,538	36
Others	2,688	(4,113)	(95)
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(148,991)	(5,787)	(134)
Due from employees	2,884	2,725	63
Due from related parties	4,874	(11,684)	(270)
Inventories	13,298	(8,083)	(187)
Prepaid expenses	(16,009)	14,368	332
Other assets	9,207	(38,085)	(880)
Net investment in sales-type leases		(31,432)	(726)
Trade accounts payable and accrued liabilities	62,036	146,147	3,378
Deferred revenue	64,484	75,616	1,748
Advances from customers	63,546	(11,239)	(260)
Other liabilities	9,005	43,150	997
Net cash provided by operating activities	Rs. 134,845	Rs. 388,849	\$ 8,987
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(249,924)	(335,252)	(7,748)
Proceeds from sale of property, plant and equipment	253,651	10,345	239
Expenditure on intangible assets	(2,330)		
Expenditure on investment in affiliates	(4,482)		
Expenditure on acquisition of minority interest	(940)		
Net movement in cash restricted	23,662	87,378	2,019
Proceeds from sale of investments	7,356	15,000	347
Net cash provided by / (used in) investing activities	Rs. 26,993	Rs. (222,529)	\$ (5,143)

Cash flows from financing activities:

Principal payments under capital lease obligations	(5,457)	(7,018)	(162)
Net proceeds from issuance of common stock	159,829	78,285	1,809

Net cash provided by financing activities	Rs. 154,372	Rs. 71,267	\$ 1,647
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Effect of exchange rate changes on cash and cash equivalents	(25,535)	(1,538)	(36)
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Net increase in cash and cash equivalents	290,675	236,049	5,455
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Cash and cash equivalents at the beginning of the period	897,596	1,325,803	30,640
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Cash and cash equivalents at the end of the period	Rs. 1,188,271	Rs. 1,561,852	\$ 36,095
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Supplementary Information

Cash paid towards interest	1,853	695	16
Cash paid towards taxes	(7,125)	3,843	89

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents**SIFY LIMITED AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND
COMPREHENSIVE INCOME****(in thousands, except share data and as stated otherwise)**

	Common Stock		Additional paid In	Deferred compensation - employee stock offer plan	Accumulated deficit	Total Stockholders equity
	Shares	Par Value	capital			
Balance as of March 31, 2004	34,900,993	Rs. 349,010	Rs. 14,490,037	Rs. (14,326)	Rs. (12,109,053)	Rs. 2,715,668
Issue of common stock	476,368	4,764	73,521			78,285
Compensation related to stock option grants				9,380		9,380
Amortization of compensation related to stock option grants			20			20
Net loss					(195,953)	(195,953)
Balance as of December 31, 2004	35,377,361	353,774	14,563,578	(4,946)	(12,305,006)	2,607,400
Balance as of December 31, 2004 (in US\$)	35,377,361	8,176	336,574	(114)	(284,377)	60,259

See accompanying notes to unaudited condensed consolidated financial statements

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SIFY LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Description of business

Sify Limited (Sify) together with its subsidiaries (the Company) and its affiliates is engaged in providing various services, such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content Offerings.

2. Summary of significant accounting policies

a. Basis of preparation of financial statements

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) in Indian Rupees (Rs.), the national currency of India. Solely for the convenience of the reader, the financial statements as of and for the quarter and nine months ended December 31, 2004 have been translated into United States dollars at the noon buying rate in New York City on December 31, 2004 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of US\$1 = Rs. 43.27. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or at any other rate on December 31, 2004 or at any other date.

b. Interim Information

Interim information presented in the condensed consolidated financial statements has been prepared by the management without audit and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial position, results of operations, and cash flows for the periods shown, is in accordance with the generally accepted accounting principles in the United States. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company s annual report on Form 20-F for the fiscal year ended March 31, 2004.

3. Cash and cash equivalents

Cash and cash equivalents as on December 31, 2004 amounted to Rs. 1,561,852 (Rs. 1,325,803 as on March 31, 2004). This excludes restricted cash included in current assets of Rs. 16,883 (Rs. 101,587 as on March 31, 2004) and restricted cash included in non-current assets of Rs. 7,472 (Rs. 10,146 as on March 31, 2004) representing deposits held under lien against bank guarantees given by the Company towards future performance obligations and letters of credit given to suppliers of the Company against purchase obligations.

The restricted cash balances in current and non-current assets represent deposits earmarked against financial guarantees and letters of credit procured in the course of business, including guarantees given to The Telegraph Authority of India of Rs. 10,000 and letters of credit for Axxcelera Broadband Wireless Inc., of Rs. 1,864, JQ Network of Rs. 1,573, Wipro Limited of Rs. 1,433 and Controller of Certifying Authorities of Rs. 10,000.

4. E Alcatraz Consulting Private Limited

The Company acquired the business of E Alcatraz Consulting Private Limited (EAP) for cash on March 1, 2004. As a result of this acquisition, the Company offers value-added consulting services, such as security risk assessment, security policy and procedure consulting and managed security services, which provide end to end security solutions to the Company s corporate clients.

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During the quarter ended September, 30 2004, the total purchase price has been allocated to the acquired assets and assumed liabilities as follows:

Purchase price	Rs. 32,630
Direct transaction costs	125
	32,755
Allocated to:	
Net current assets	Rs. 2,909
Tangible assets	762
Intangible asset relating to customer relationship	29,084
	Rs. 32,755