

SIFY LTD  
Form 6-K  
November 18, 2004

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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, 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 No.333-101915).

The number of equity shares of the Registrant outstanding as on November 17, 2004 was 35,131,697.

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).

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**SIFY LIMITED**

**FORM 6-K**

**For the Quarter ended September 30, 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 has licensed the use of the Satyam trademark to us subject to specified conditions. Sify.com, Sify, Sify iway, SifyOnline, SatyamOnline, SatyamNet, satyamonline.com and Sat 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 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, 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 September 30, 2004 was Rs.45.91 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](http://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](http://WWW.SEC.GOV).



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

	<b>As at March 31, 2004</b>	<b>As at September 30, 2004</b>	
		<b>(Unaudited)</b>	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Rs. 1,325,803	Rs. 1,458,914	\$ 31,778
Cash restricted	101,587	31,478	686
Accounts receivable	493,980	461,309	10,048
Due from officers and employees		1,046	23
Due from related parties	13,030	25,309	551
Inventories	20,759	42,086	917
Prepaid expenses	106,957	83,059	1,809
Net investment in leases		300	7
Other current assets	123,571	129,617	2,823
	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>	<b>2,185,687</b>	<b>2,233,118</b>	<b>48,642</b>
Cash restricted	10,146	20,227	441
Net investment in leases		412	9
Property, plant and equipment-net	1,249,798	1,192,794	25,981
Goodwill and other intangible assets	125,622	99,088	2,158
Investments in affiliated companies	140,508	158,778	3,458
Other assets	87,312	88,945	1,937
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>Rs. 3,799,073</b>	<b>Rs. 3,793,362</b>	<b>\$ 82,626</b>
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS</b>			
<b>EQUITY</b>			
<b>Current liabilities:</b>			
Current installments of capital lease obligations	5,851	6,981	152
Trade accounts payable	220,322	176,350	3,841
Accrued liabilities	317,228	385,683	8,401
Deferred revenue	341,953	380,230	8,282
Due to officers and employees	326	1,050	23
Advances from customers	83,670	83,307	1,815
Other current liabilities	56,182	60,627	1,320
	<hr/>	<hr/>	<hr/>

<b>Total current liabilities</b>	<b>1,025,532</b>	<b>1,094,228</b>	<b>23,834</b>
Capital lease obligations, excluding current installments	5,151	5,967	130
Other liabilities	51,127	47,116	1,026
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	<b>1,081,810</b>	<b>1,147,311</b>	<b>24,990</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Minority interest</b>	1,595	1,595	35
<b>Stockholders equity</b>			
Common stock, Rs 10 par value; 37,500,000 equity shares authorized; Issued and outstanding: 34,900,993 shares as of March 31, 2004 and 35,040,950 shares as of September 30, 2004.	349,010	350,410	7,633
Additional paid-in capital	14,490,037	14,512,126	316,099
Deferred compensation – employee stock offer plan	(14,326)	(8,086)	(176)
Accumulated deficit	(12,109,053)	(12,209,994)	(265,955)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total stockholders equity</b>	<b>2,715,668</b>	<b>2,644,456</b>	<b>57,601</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities and stockholders equity</b>	<b>Rs. 3,799,073</b>	<b>Rs. 3,793,362</b>	<b>\$ 82,626</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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 September 30,			Six months ended September 30,								
	2003		2004	2003		2004						
Revenues	Rs.	646,320	Rs.	845,244	\$	18,412	Rs.	1,234,326	Rs.	1,610,034	\$	35,069
Revenue from related parties		17,435		15,553		339		30,454		28,600		623
Total revenue		<b>663,755</b>		<b>860,797</b>		<b>18,751</b>		<b>1,264,780</b>		<b>1,638,634</b>		<b>35,692</b>
Cost of revenues		336,912		457,248		9,960		657,755		888,492		19,353
Selling, general and administrative expenses		328,260		336,003		7,319		618,330		647,552		14,105
Provision for doubtful receivables and advances		16,288		12,694		276		54,364		25,746		561
Depreciation		118,295		124,605		2,714		239,301		244,269		5,320
Amortization of intangible assets		34,784		14,876		324		48,828		26,533		578
Amortization of deferred stock compensation expense		7,052		3,045		66		15,887		6,710		146
Foreign exchange (gain) / loss		8,529		3,436		75		22,628		(29,812)		(649)
Total operating expenses		<b>850,120</b>		<b>951,907</b>		<b>20,734</b>		<b>1,657,093</b>		<b>1,809,490</b>		<b>39,414</b>
Operating loss		(186,365)		(91,110)		(1,983)		(392,313)		(170,856)		(3,722)
Other income, net		103,339		38,671		842		116,111		51,644		1,125
Loss before taxes, equity in losses of affiliates and minority interest		(83,026)		(52,439)		(1,141)		(276,202)		(119,212)		(2,597)
		(2,230)		6,236		136		(15,744)		18,271		398



Equity in (losses) / profit of affiliates							
Minority interest	532			70			
Losses before income taxes	(84,724)	(46,203)	(1,005)	(291,876)	(100,941)	(2,199)	
Taxes	(71)			(72)			
<b>Net loss</b>	<b>Rs. (84,795)</b>	<b>Rs. (46,203)</b>	<b>\$ (1,005)</b>	<b>Rs. (291,948)</b>	<b>Rs. (100,941)</b>	<b>\$ (2,199)</b>	
<b>Net loss per share</b>	(2.44)	(1.32)	(0.03)	(8.55)	(2.88)	(0.06)	
Weighted equity shares used in computing loss per equity share	34,822,821	35,040,371	35,040,371	34,165,814	35,024,083	35,024,083	

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)**

	<b>Six months ended September 30,</b>		
	<b>2003</b>	<b>2004</b>	<b>2004</b>
<b>Net loss from continuing operations</b>	<b>Rs. (291,948)</b>	<b>Rs. (100,941)</b>	<b>\$ (2,199)</b>
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:			
Depreciation, amortization of intangible assets and deferred stock compensation	304,016	277,512	6,045
Equity in losses / (profits) of affiliates	15,744	(18,271)	(398)
Gain on sale of investments	(76,055)	(15,710)	(342)
Loss on sale of property, plant and equipment	56	43	1
Provision for doubtful receivables and advances	54,364	25,746	561
Minority interest	(155)		
Translation (gain)/loss on dollar deposit denominated deposits	22,310	(30,895)	(673)
Others	1,872	(2,098)	(46)
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(101,564)	6,927	151
Due from officers and employees	(111)	3,495	76
Due from related parties	(14,793)	(12,279)	(267)
Inventories	16,595	(19,231)	(419)
Prepaid expenses	(28,793)	23,898	521
Other assets	(12,851)	(10,784)	(235)
Net investment in sales-type leases		(712)	(16)
Trade accounts payable and accrued liabilities	62,386	(8,915)	(194)
Deferred revenue	47,174	38,277	834
Advances from customers	22,169	(363)	(8)
Other liabilities	456	434	9
<b>Net cash provided by continuing operations</b>	<b>Rs. 20,872</b>	<b>Rs. 156,133</b>	<b>\$ 3,401</b>
<b>Cash flows from investing activities:</b>			
Expenditure on property, plant and equipment	(148,000)	(150,666)	(3,282)
Proceeds from sale of property, plant and equipment	3,055	2,281	50
Expenditure on intangible assets	(2,331)		
Expenditure on investment in affiliates	(2,469)		
Net movement in cash restricted	(73,713)	60,028	1,307
Proceeds from sale of investments	257,356	15,000	327
<b>Net cash provided by / (used in) investing activities</b>	<b>Rs. 33,898</b>	<b>Rs. (73,357)</b>	<b>\$ (1,598)</b>

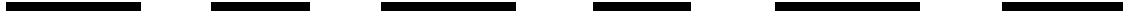
<b>Cash flows from financing activities:</b>			
Principal payments under capital lease obligations	(3,913)	(3,579)	(78)
Net proceeds from issuance of common stock	159,380	23,019	502
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided by financing activities</b>	<b>Rs. 155,467</b>	<b>Rs. 19,440</b>	<b>\$ 424</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Effect of exchange rate changes on cash	(22,310)	30,895	673
<b>Net increase in cash and cash equivalents</b>	<b>187,927</b>	<b>133,111</b>	<b>2,900</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>897,596</b>	<b>1,325,803</b>	<b>28,878</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at the end of the period</b>	<b>Rs.1,085,523</b>	<b>Rs.1,458,914</b>	<b>\$31,778</b>
	<u>          </u>	<u>          </u>	<u>          </u>

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 Shares	Common Stock Par Value	Additional paid In capital	Deferred compensation- employee stock offer Plan	Accumulated deficit	Total Stockholders equity
<b>Balance as of March 31, 2004</b>	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	139,957	1,400	21,619			23,019
Compensation related to stock option grants				6,240		6,240
Amortization of compensation related to stock option grants			470			470
Comprehensive income						
Net loss					(100,941)	(100,941)
Other comprehensive income						
Unrealized loss on investments, net						
Foreign exchange translation adjustment						
Comprehensive income						
<b>Balance as of September 30, 2004</b>	35,040,950	350,410	14,512,126	(8,086)	(12,209,994)	2,644,456
<b>Balance as of September 30, 2004 (in US\$)</b>	35,040,950	7,633	316,099	(176)	(265,955)	57,601



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 ( Consolidated 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 ended September 30, 2004 have been translated into United States dollars at the noon buying rate in New York City on September 30, 2004 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of US\$1 = Rs. 45.91. 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 September 30, 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 September 30, 2004 amounted to Rs 1,458,914 (Rs 1,325,803 as on March 31, 2004). This excludes restricted cash included in current assets of Rs 31,478 (Rs 101,587 as on March 31, 2004) and restricted cash included in non- current assets of Rs 20,227 (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 Videsh Sanchar Nigam Limited of Rs 21,549 and letters of credits for Axxcelera Broadband Wireless Inc., of Rs 3,427 and JQ Network of Rs 1,623. .

**4. E Alcatraz Consulting Private Limited**

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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 would offer value-added consulting services, such as security risk assessment, security policy and procedure consulting and Managed Security Services, which would provide end to end security solutions to the Company s corporate clients.

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
	<u>32,755</u>
Allocated to:	
Net current assets	2,909
Tangible assets	762
Intangible asset relating to customer relationship	29,084
	<u>Rs. 32,755</u>

The Company has considered the Financial Accounting Standards Board Statement No. 141 ( SFAS 141 ), Business Combinations and relevant interpretive guidance for allocation of the purchase price and has estimated the fair value of the customer contracts, customer relationship at Rs 29,084 with a weighted average useful life of five years.

**Table of Contents****5. Goodwill and intangibles**

At September 30, 2004, the Company's goodwill and other intangible assets amounted to Rs 14,595 and Rs 84,493, respectively (Rs 14,595 and Rs 105,890 as on September 30, 2003 respectively).

	Weighted average life	As at September 30, 2004		As at September 30, 2003	
		Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Technical know how fees	4.89	Rs. 90,314	Rs. 61,974	Rs. 90,314	Rs. 44,270
Portals and web content	5.00	100,360	76,647	100,361	56,265
Customer contracts, Customer relationships and others	4.04	93,584	61,144	27,001	11,251
Employment contracts	2.00			37,500	37,500
<b>Total</b>		<b>Rs. 284,258</b>	<b>Rs. 199,765</b>	<b>Rs. 255,176</b>	<b>Rs. 149,286</b>

The aggregate amortization expense for the quarter ended September 30, 2004 was Rs 14,876 (Rs 48,828 for the quarter ended September 30, 2003).

**Estimated amortization expense****For the year ended March 31,**

2005	Rs. 52,408
2006	35,474
2007	11,975
2008	5,837
2009	5,332

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, the Company does not amortise goodwill but tests it for impairment on an annual basis. The Company has not recognized any impairment of goodwill during the years ended March 31, 2003 and 2004 and for the six months ended September 30, 2004.



**Table of Contents****6. Employee Stock Options**

The Company has adopted pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation and SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, to stock based employee compensation.

	<b>Quarter ended September 30,</b>		<b>Six months ended September 30,</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
Net loss as reported	Rs.(84,795)	Rs.(46,203)	Rs.(291,948)	Rs.(100,941)
Add: Stock based compensation expense included in reported net loss	7,052	3,045	15,887	6,710
Less: Stock based compensation expense determined under fair value method	<u>16,466</u>	<u>13,952</u>	<u>24,650</u>	<u>39,331</u>
Pro forma net loss	<u>Rs.(94,209)</u>	<u>Rs.(57,110)</u>	<u>Rs.(300,711)</u>	<u>Rs.(133,562)</u>
Loss per share:				
Basic and diluted reported	Rs. (2.44)	Rs. (1.32)	Rs. (8.55)	Rs. (2.88)
Basic and diluted proforma	Rs. (2.71)	Rs. (1.63)	Rs. (8.80)	Rs. (3.81)

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

<b>Quarter ended September 30,</b>	<b>Six months ended September 30,</b>
------------------------------------	---------------------------------------