

SIFY LTD
Form 6-K
March 31, 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 December 31, 2002

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) 44-2254-0770
(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 statement on Form S-8 (Registration No. 333-101322).

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, a leading Indian information technology services company which is traded on the New York Stock Exchange and the major Indian stock exchanges (Satyam Computer Services). 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, 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 legal 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 December 31, 2002 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, 2002 was Rs.48.00 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. Solely for your convenience, some of the information contained in our financial statements has been translated into U.S. dollars. 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 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 (formerly known as Satyam Infoway Limited)
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data and as otherwise stated)

	As at		
	March 31,	December 31,	
	2002	2002 (unaudited)	
ASSETS			
Current assets:			
Cash and cash equivalents	Rs. 658,111	Rs. 847,564	\$ 17,658
Cash - restricted	52,389	93,291	1,944
Accounts receivable	419,961	367,111	7,648
Due from officers and employees	38,675	446	9
Inventories	35,426	32,107	668
Prepaid expenses	114,755	150,754	3,141
Other current assets	85,028	157,755	3,287
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Total current assets	1,404,345	1,649,028	34,355
Cash - restricted	100,000	100,010	2,084
Property, plant and equipment-net	1,932,046	1,559,433	32,488
Goodwill and other intangible assets	341,179	238,809	4,975
Investments in affiliates	170,332	178,629	3,722
Investments	9,477	1,448	30
Other assets	188,895	104,225	2,171
	<hr/>	<hr/>	<hr/>
Total assets	Rs. 4,146,274	Rs. 3,831,582	\$ 79,825
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LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Current installments of capital lease obligations	3,218	3,052	64
Accrued liabilities	499,390	421,609	8,784
Deferred revenue	144,519	265,346	5,528
Advances from customers	15,320	25,678	535
Other current liabilities	21,278	28,397	592
	<hr/>	<hr/>	<hr/>
Total current liabilities	683,725	744,082	15,503
Non-current liabilities:			
Capital lease obligations, excluding current installments	3,922	3,233	67
Deferred tax liability	13,388	14,603	304
Other liabilities	39,877	38,605	804
	<hr/>	<hr/>	<hr/>
Total liabilities	740,912	800,523	16,678
	<hr/>	<hr/>	<hr/>
Minority interest	11,249	2,971	62
Stockholders equity			
Common stock, Rs 10 par value; 35,000,000 equity shares authorized as on March 31, 2002 and 37,500,000 equity shares authorized as on December 31, 2002 ;	232,022	327,952	6,832

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Issued and outstanding: 23,202,176 shares as of			
March 31,2002 and 32,795,200 as of December 31, 2002			
Additional paid-in capital	13,649,324	14,329,138	298,524
Deferred compensation - employee stock offer plan	(74,961)	(33,483)	(698)
Accumulated deficit	(10,408,381)	(11,590,825)	(241,475)
Accumulated other comprehensive income	(3,891)	(4,694)	(98)
Total stockholders equity	3,394,113	3,028,088	63,085
Total liabilities and stockholders equity	Rs. 4,146,274	Rs. 3,831,582	\$ 79,825

See accompanying notes to unaudited consolidated financial statements

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SIFY LIMITED (formerly known as Satyam Infoway Limited)
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share data and as otherwise stated)

	Quarter ended December 31,		
	2001	2002	
Revenues	Rs. 414,820	Rs. 518,143	\$ 10,795
Revenues from Satyam Computer Services Limited	3,393	1,024	21
Total revenues	Rs. 418,213	Rs. 519,167	\$ 10,816
Cost of revenues (excluding depreciation and amortization)	(308,887)	(314,720)	(6,557)
Gross profit (excluding depreciation and amortization)	109,326	204,447	4,259
Operating expenses:			
Selling, general and administrative expenses	430,548	433,321	9,028
Provision for doubtful receivables	25,101	61,987	1,291
Acquisition expenses			
Amortisation of goodwill			
Impairment of goodwill			
Amortisation of deferred stock compensation expense	7,846	40,000	834
Foreign exchange loss / (gain)	(8,253)	2,991	62
Total operating expenses	455,242	538,299	11,215
Operating loss	(345,916)	(333,852)	(6,956)
Other income, net	(3,277)	18,409	384
Loss before taxes, equity in losses of affiliates and minority interest	(349,193)	(315,443)	(6,572)
Equity in losses of affiliates	(19,137)	(7,287)	(152)
Impairment of investment in affiliate			
Minority interest	3,380	2	
Losses before income taxes	(364,950)	(322,728)	(6,724)
Taxes	(8,470)	1,041	22
Net loss from continuing operation	(Rs. 373,420)	(Rs. 321,687)	(\$ 6,702)
Loss from discontinued operation	(Rs. 22,902)		
Net loss	(Rs. 396,322)	(Rs. 321,687)	(\$ 6,702)
Net loss per share- continuing operation	(16.09)	(12.93)	(0.27)
Net loss per share-discontinued operation	(0.99)		
Net loss per share	(17.08)	(12.93)	(0.27)
Weighted equity shares used in Computing loss per equity share	23,202,176	24,870,528	24,870,528

[Additional columns below]

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[Continued from above table, first column(s) repeated]

	Nine months ended December 31,		
	2001	2002	
Revenues	Rs. 1,158,337	Rs. 1,382,113	\$ 28,794
Revenues from Satyam Computer Services Limited	19,170	5,606	117
Total revenues	Rs. 1,177,507	Rs. 1,387,719	\$ 28,911
Cost of revenues (excluding depreciation and amortization)	(905,055)	(946,567)	(19,720)
Gross profit (excluding depreciation and amortization)	272,452	441,152	9,191
Operating expenses:			
Selling, general and administrative expenses	1,372,050	1,442,976	30,062
Provision for doubtful receivables	55,191	146,735	3,057
Acquisition expenses	20,000		
Amortisation of goodwill	292,964		
Impairment of goodwill	4,115,145		
Amortisation of deferred stock compensation expense	21,847	56,750	1,182
Foreign exchange loss / (gain)	(42,806)	(7,838)	(163)
Total operating expenses	5,834,391	1,638,623	34,138
Operating loss	(5,561,939)	(1,197,471)	(24,947)
Other income, net	30,767	34,394	717
Loss before taxes, equity in losses of affiliates and minority interest	(5,531,172)	(1,163,077)	(24,230)
Equity in losses of affiliates	(113,681)	(37,877)	(789)
Impairment of investment in affiliate	(1,089,870)		
Minority interest	7,323	12,292	256
Losses before income taxes	(6,727,400)	(1,188,662)	(24,763)
Taxes	(17,804)	6,218	129
Net loss from continuing operation	(Rs. 6,745,204)	(Rs. 1,182,444)	(\$ 24,634)
Loss from discontinued operation	(Rs. 48,671)		
Net loss	(Rs. 6,793,875)	(Rs. 1,182,444)	(\$ 24,634)
Net loss per share-continuing operation	(290.81)	(49.77)	(1.04)
Net loss per share-discontinued operation	(2.10)		
Net loss per share	(292.91)	(49.77)	(1.04)
Weighted equity shares used in Computing loss per equity share	23,194,477	23,760,316	23,760,316

See accompanying notes to unaudited consolidated financial statements

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SIFY LIMITED (formerly known as Satyam Infoway Limited)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data and as stated otherwise)

	Nine months ended December 31,		
	2001	2002	
Net loss from continuing operation	(Rs. 6,745,204)	(Rs. 1,182,444)	(\$ 24,634)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, amortization and impairment of goodwill	4,871,934	667,977	13,916
Equity in losses of affiliates	1,203,551	37,877	789
Gain on sale of investments		(3,546)	(74)
Loss on sale of plant and equipment	3,324	995	21
Provision for doubtful receivables	55,191	146,735	3,057
Inventory write down		20,273	422
Minority interest	(7,323)	(8,278)	(172)
Others	17,804	(5,944)	(124)
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(98,598)	(102,122)	(2,128)
Due from officers and employees	8,744	60,865	1,268
Inventories	27,768	(3,561)	(74)
Prepaid expenses	61,778	(35,999)	(750)
Other assets	118,518	1,477	31
Accrued expenses	23,326	(27,941)	(582)
Trade accounts payable		(49,840)	(1,039)
Deferred revenue	10,554	120,827	2,517
Advances from customers	(82,639)	10,358	216
Other liabilities	(47,063)	15,211	317
	(Rs. 578,335)	(Rs. 337,080)	(\$ 7,023)
Net cash provided by discontinued operations	Rs. 239,324		
	(Rs. 339,011)	(Rs. 337,080)	(\$ 7,023)
Cash flows from investing activities:			