

SIFY TECHNOLOGIES LTD

Form 6-K

April 07, 2008

**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 quarterly period ended September 30, 2007**

**Commission File Number 000-27663**

**SIFY TECHNOLOGIES LIMITED**

(Translation of registrant's name into English)

Tidel Park, Second Floor

No. 4, Canal Bank Road, Taramani

Chennai 600 113, India

(91) 44-2254-0770

(Address of principal executive office)

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 if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(1). Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(7). Yes  No

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.

**Table of Contents**

**SIFY TECHNOLOGIES LIMITED**  
**FORM 6-K**  
**For the Quarter ended September 30, 2007**  
**INDEX**

***Part I Financial Information***

Item 1. Financial Statements

- a) Unaudited Condensed Consolidated Balance Sheets
- b) Unaudited Condensed Consolidated Statements of Income
- c) Unaudited Condensed Consolidated Statements of Cash Flows
- d) Unaudited Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income
- e) Notes to Unaudited Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Item 4. Controls and Procedures

***Part II Other Information***

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits

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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 Technologies 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. In October 2007, we again changed our name from Sify Limited to Sify Technologies Limited. Sify, *SifyMax.in*, *Sifyway* and *Sify online* are trademarks used by us for which we have already obtained the registration certificates in India. All other trademarks or trade names 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, 2007 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, 2007 was Rs.39.75 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).

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**Part I. Financial Information****Item 1. Financial Statements**

**SIFY TECHNOLOGIES LIMITED and Subsidiaries**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data and as otherwise stated)

	As at March 31, 2007 Rs.	As at September 2007 Rs.	2007 Convenience Translation into US\$ (Note 2) \$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Rs. 3,070,157	Rs. 2,002,024	\$ 50,365
Investment in short term mutual funds		20,379	513
Accounts receivable	1,188,406	1,678,722	42,232
Due from employees	7,726	6,508	165
Inventories	28,686	36,574	920
Prepaid expenses	118,207	95,257	2,396
Net investment in leases	16,560	11,449	288
Other current assets	289,673	304,388	7,658
<b>Total current assets</b>	<b>4,719,415</b>	<b>4,155,301</b>	<b>104,537</b>
Cash restricted	1,000	1,000	25
Deferred income taxes	66,104	41,740	1,050
Net investment in leases	12,032	8,554	215
Property, plant and equipment-net	1,644,564	1,842,461	46,351
Goodwill and other intangible assets	192,390	183,552	4,618
Investments in affiliated companies	302,956	368,598	9,273
Other assets	224,491	355,069	8,933
<b>Total assets</b>	<b>Rs. 7,162,952</b>	<b>Rs. 6,956,275</b>	<b>\$ 175,002</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current liabilities:</b>			
Borrowings from banks	800,000	29,643	746
Current installments of capital lease obligations	2,476	3,161	80
Trade accounts payable	316,935	612,933	15,420
Accrued liabilities	737,284	873,876	21,984
Deferred revenue	450,030	549,143	13,815
Advances from customers	89,908	126,498	3,182
Other current liabilities	89,855	130,984	3,295
<b>Total current liabilities</b>	<b>2,486,488</b>	<b>2,326,238</b>	<b>58,522</b>
Capital lease obligations, Excluding current installments	3,671	4,247	107
Other liabilities	121,938	137,436	3,458

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<b>Total liabilities</b>	<b>2,612,097</b>	<b>2,467,921</b>	<b>62,087</b>
<b>Minority interest</b>	169,765	183,951	4,628
<b>Stockholders equity</b>			
Common stock, Rs 10 par value; 50,000,000 equity shares authorized (as of March 31, 2007 : 50,000,000) ; Issued and outstanding: 42,820,082 shares as of September 30, 2007 and 42,800,265 shares as of March 31, 2007	428,003	428,201	10,772
Additional paid-in capital	16,325,960	16,359,749	411,566
Accumulated deficit	(12,378,114)	(12,489,160)	(314,193)
Accumulated other comprehensive income	5,241	5,613	142
<b>Total stockholders equity</b>	<b>4,381,090</b>	<b>4,304,403</b>	<b>108,287</b>
<b>Total liabilities and stockholders equity</b>	<b>Rs. 7,162,952</b>	<b>Rs. 6,956,275</b>	<b>\$ 175,002</b>

See accompanying notes to unaudited condensed consolidated financial statements

**SIFY TECHNOLOGIES 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		
	2006	2007	2007	2006	2007	2007
	Rs.	Rs.	Convenience translation into US \$ (Note 2) \$	Rs.	Rs.	Convenience translation into US \$ (Note 2) \$
Revenue						
Products	Rs. 128,905	Rs. 167,262	4,208	Rs. 248,950	Rs. 309,879	\$ 7,796
Services	1,254,193	1,304,242	32,811	2,452,529	2,566,726	64,572
<b>Total Revenue</b>	<b>1,383,098</b>	<b>1,471,504</b>	<b>37,019</b>	<b>2,701,479</b>	<b>2,876,605</b>	<b>72,368</b>
Cost of revenue						
Products	111,327	142,327	3,581	212,676	260,279	6,548
Services	594,712	688,696	17,326	1,188,679	1,323,095	33,285
	706,039	831,023	20,907	1,401,355	1,583,374	39,833
Selling, general and administrative expenses	478,794	574,067	14,442	959,574	1,113,419	28,011
Provision for doubtful receivables and advances	50,579	29,638	746	73,664	80,668	2,029
Depreciation	105,090	120,446	3,030	200,126	230,597	5,801
Amortisation of intangible assets	12,133	6,037	152	28,630	16,242	408
Employee Stock Compensation Expense	5,527	15,358	386	41,470	29,323	738
Foreign exchange (gain) / loss , net	(302)	675	17	(44,339)	19,980	503
<b>Total operating expenses</b>	<b>1,357,860</b>	<b>1,577,244</b>	<b>39,680</b>	<b>2,660,480</b>	<b>3,073,603</b>	<b>\$ 77,323</b>
Operating profit/(loss)	25,238	(105,740)	(2,661)	40,999	(196,998)	(4,955)
Other income, net	35,192	35,916	904	66,066	69,557	1,750
Equity in net profit of affiliate	8,106	42,966	1,081	23,894	65,642	1,651

<b>Net Profit / (Loss) before income tax and minority interest</b>		<b>68,536</b>	<b>(26,858)</b>	<b>(676)</b>	<b>130,959</b>	<b>(61,799)</b>	<b>(1,554)</b>
Income tax benefit/(expense)			(20,655)	(520)		(35,061)	(882)
<b>Net Profit / (Loss) before minority interest</b>		<b>68,536</b>	<b>(47,513)</b>	<b>(1,196)</b>	<b>130,959</b>	<b>(96,860)</b>	<b>(2,436)</b>
Minority interest			(8,508)	(214)		(14,186)	(357)
<b>Net Profit / (loss) after tax</b>	<b>Rs.</b>	<b>68,536</b>	<b>Rs.(56,021)</b>	<b>(1,410)</b>	<b>Rs. 130,959</b>	<b>Rs.(111,046)</b>	<b>(2,793)</b>
<b>Net Profit/(loss) per share Basic</b>		1.60	(1.31)	(0.03)	3.07	(2.59)	(0.07)
<b>Net Profit/(loss) per share Diluted</b>		1.60	(1.31)	(0.03)	3.06	(2.59)	(0.07)
<b>Basic Weighted average Equity Shares used in computing Profit/(loss) per share</b>		42,704,756	42,814,555	42,814,555	42,644,682	42,805,968	42,805,968
<b>Diluted Weighted average Equity Shares used in computing Profit/(loss) per share</b>		42,851,406	42,814,555	42,814,555	42,840,081	42,805,968	42,805,968

See accompanying notes to unaudited condensed consolidated financial statements



**SIFY TECHNOLOGIES LIMITED and Subsidiaries**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, except share data and as otherwise stated)

	Six months ended September 30,		
	2006	2007	2007
	Rs.	Rs.	\$
<b>Net profit / (loss)</b>	<b>Rs. 130,959</b>	<b>Rs. (111,046)</b>	<b>\$ (2,793)</b>
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:			
Income taxes		35,061	882
Depreciation	200,126	230,597	5,801
Amortization of intangible assets	28,630	16,242	408
Employee stock compensation expense	41,470	29,323	738
Equity in net profit of affiliate	(23,894)	(65,642)	(1,651)
(Gain) / loss on sale of property, plant and equipment	(261)	194	5
Provision for doubtful receivables and advances	73,664	80,668	2,029
Minority interest		14,186	357
Unrealized Gain / (loss) on account of exchange differences	(10,470)	(9,017)	(226)
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(305,570)	(566,291)	(14,246)
Due from employees	20,384	1,218	31
Inventories	(341)	(7,888)	(198)
Prepaid expenses	(39,619)	22,950	577
Other assets	(76,316)	(145,293)	(3,655)
Trade accounts payable and accrued liabilities	(173,591)	435,159	10,947
Deferred revenue	29,453	99,113	2,493
Advances from customers	(3,771)	36,590	921
Other liabilities	20,818	45,930	1,155
<b>Net cash provided/(used) by operating activities</b>	<b>Rs. (88,329)</b>	<b>Rs. 142,054</b>	<b>\$ 3,575</b>
<b>Cash flows from investing activities:</b>			
Expenditure on property, plant and equipment	(385,908)	(425,953)	(10,716)
Proceeds from sale of property, plant and equipment	1,640	97	2
Expenditure on intangible assets	(7,278)	(7,404)	(186)
Business acquisition (net of cash)	(92,934)		
Receipts in respect of assets given on sale-type leases	5,305	8,589	216
Purchase of short term Investments		(20,316)	(511)
<b>Net cash used in investing activities</b>	<b>Rs. (479,175)</b>	<b>Rs. (444,987)</b>	<b>\$(11,195)</b>
<b>Cash flows from financing activities:</b>			
Repayments of short term borrowings from banks, net		(770,357)	(19,380)
Payment under capital lease obligation	(2,025)	(1,572)	(41)

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Net proceeds from issuance of common stock	51,345	4,665	117
<b>Net cash provided/(used) by financing activities</b>	<b>Rs. 49,320</b>	<b>Rs.(767,264)</b>	<b>\$(19,304)</b>
Effect of exchange rate changes on cash and cash equivalents	11,235	2,064	52
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(506,949)</b>	<b>(1,068,133)</b>	<b>(26,872)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,822,501</b>	<b>3,070,157</b>	<b>77,237</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>Rs.2,315,552</b>	<b>Rs. 2,002,024</b>	<b>\$ 50,365</b>
<b>Supplementary Information</b>			
Cash paid towards interest	4,012	5,047	127
Cash paid / (refund received) towards income taxes	23,766	71,965	1,810
Additions to property, plant and equipment represented by capital lease obligations	1,720	2,832	71

See accompanying notes to unaudited condensed consolidated financial statements

**SIFY TECHNOLOGIES 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 Nos.	Par Value Rs.	Additional Paid In Capital Rs.	Comprehensive Income Rs.	Accumulated Other Comprehensive Income Rs.	Accumulated Deficit Rs.	Total Stockholders Equity Rs.
<b>Balance as of March 31, 2007</b>	<b>42,800,265</b>	<b>428,003</b>	<b>16,325,960</b>		<b>5,241</b>	<b>(12,378,114)</b>	<b>4,381,090</b>
Issue of common stock	19,817	198	4,466				4,664
Compensation related to stock option grants			29,323				29,323
Comprehensive income							
Net Profit / (Loss)				(111,046)		(111,046)	(111,046)
Other Comprehensive Income/ (loss)							
Translation Adjustments				309			
Unrealised gain on investment in securities				63			
Total other comprehensive income				372	372		372
Comprehensive income				(110,674)			
<b>Balance as of September 30, 2007</b>	<b>42,820,082</b>	<b>428,201</b>	<b>16,359,749</b>		<b>5,613</b>	<b>(12,489,160)</b>	<b>4,304,403</b>
<b>Balance as of September 30, 2007 (Convenience</b>		10,772	411,566		142	(314,193)	108,287

**translation into  
US\$  
- Note 2)**

See accompanying notes to unaudited condensed consolidated financial statements

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**SIFY TECHNOLOGIES LIMITED and Subsidiaries**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands, except share data and as stated otherwise)**

**1. Description of business**

Sify Technologies Limited (Sify) together with its subsidiaries (India World Communications Limited, Sify Communications Limited, Sify Networks Private Limited and Sify International Inc.) (collectively referred to as the Company) is engaged in providing various services, such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content Offerings and selling products related to such services.

**2. Summary of significant accounting policies**

**a. Basis of preparation of financials statements**

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S 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 six months ended September 30, 2007 have been translated into United States dollars at the noon buying rate in New York City on September 30, 2007 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of U.S. \$1 = Rs.39.75. 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, 2007 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 US GAAP. 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, 2007.

**c. Investment securities.**

The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in income. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from income and are reported as a part of other comprehensive income in stockholders' equity until realized. Realized gains and losses from the sale of trading and available-for-sale securities are determined on a first-in-first out basis and are included in income. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value with a charge to the income statement. Fair value for mut