

SIFY LTD  
Form 6-K  
January 17, 2007

**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, 2006**  
**Commission File Number 000-27663**  
**SIFY LIMITED**

(Translation of registrant's name into English)

Tidel Park, Second Floor  
No. 4, Canal Bank Road, Taramani  
Chennai 600 113, India  
(91) 44-254-0770

(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.

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, 333-107938 and 333-135804) and on Form F-3 (Registration  
Nos. 333-101915 and 333-121047).

The number of equity shares of the Registrant outstanding as of September 30, 2006 was 42,712,480.

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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, 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. Sify, *SifyMax.in*, *satyamonline.com* and *Satyam iway* are trademarks used by us for which we have registration applications pending 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, 2006 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, 2006 was Rs.45.95 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*.

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**Part I. Financial Information**  
**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, 2006 Rs.	As at September 30, 2006 Rs.	2006 \$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Rs. 2,822,501	Rs. 2,315,552	\$ 50,393
Accounts receivable	838,433	1,052,468	22,905
Due from employees	23,818	3,633	79
Inventories	30,462	30,803	670
Prepaid expenses	91,158	130,777	2,846
Net investment in leases	10,776	16,003	348
Other current assets	212,696	286,100	6,226
<b>Total current assets</b>	<b>4,029,844</b>	<b>3,835,336</b>	<b>83,467</b>
Cash restricted	1,000	1,000	22
Net investment in leases	10,842	17,311	377
Property, plant and equipment-net	1,423,246	1,610,736	35,054
Goodwill and other intangible assets	62,436	156,056	3,396
Investments in affiliated companies	233,060	256,954	5,592
Other assets	191,343	194,153	4,225
<b>Total assets</b>	<b>Rs. 5,951,771</b>	<b>Rs. 6,071,546</b>	<b>\$ 132,133</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current liabilities:</b>			
Current installments of capital lease obligations	2,759	2,418	53
Trade accounts payable	440,841	184,395	4,013
Accrued liabilities	584,264	667,252	14,521
Deferred revenue	444,333	473,786	10,311
Due to employees	1,300	1,200	26
Advances from customers	112,512	108,719	2,366
Other current liabilities	74,174	112,803	2,455
<b>Total current liabilities</b>	<b>1,660,183</b>	<b>1,550,573</b>	<b>33,745</b>
Capital lease obligations, excluding current installments	2,546	2,684	58
Other liabilities	234,533	240,006	5,223
<b>Total liabilities</b>	<b>1,897,262</b>	<b>1,793,263</b>	<b>39,026</b>
<b>Stockholders equity</b>	<b>423,895</b>	<b>427,125</b>	<b>9,295</b>

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Common stock, Rs 10 par value; 50,000,000 equity shares authorized (as of March 31, 2006 : 50,000,000) ; Issued and outstanding: 42,712,480 shares as of September 30,2006 and 42,389,514 shares as of March 31, 2006

Additional paid-in capital	16,238,413	16,286,073	354,430
Deferred compensation – employee stock offer plan	(41,925)		
Accumulated deficit	(12,565,874)	(12,434,915)	(270,618)
<b>Total stockholders equity</b>	<b>4,054,509</b>	<b>4,278,283</b>	<b>93,107</b>

<b>Total liabilities and stockholders equity</b>	<b>Rs. 5,951,771</b>	<b>Rs. 6,071,546</b>	<b>\$ 132,133</b>
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See accompanying notes to unaudited condensed consolidated financial statements

**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,		
	2005 Rs.	2006 Rs.	2006 \$	2005 Rs.	2006 Rs.	2006 \$
Revenue						
Products	Rs. 79,655	Rs. 128,905	\$ 2,805	Rs. 147,648	Rs. 248,950	\$ 5,418
Services	1,039,199	1,254,193	27,295	1,977,259	2,452,529	53,374
	Rs. 1,118,854	Rs. 1,383,098	30,100	Rs. 2,124,907	Rs. 2,701,479	58,792
Revenue from related parties						
Products	41,191			43,879		
Services	12,848			25,382		
	54,039			69,261		
<b>Total Revenue</b>	<b>1,172,893</b>	<b>1,383,098</b>	<b>30,100</b>	<b>2,194,168</b>	<b>2,701,479</b>	<b>58,792</b>
Cost of revenue						
Products	103,497	111,327	2,423	165,378	212,676	4,628
Services	556,245	594,712	12,943	1,076,339	1,188,679	25,869
	659,742	706,039	15,366	1,241,717	1,401,355	30,497
Selling, general and administrative expenses	473,098	478,794	10,420	898,171	959,574	20,883
Provision for doubtful receivables and advances	16,827	50,579	1,101	33,045	73,664	1,603
Depreciation	97,893	105,090	2,287	197,705	200,126	4,355
Amortisation of intangible assets	16,826	12,133	264	38,864	28,630	623
Amortisation of deferred stock compensation expense	813	5,527	120	1,970	41,470	903
Foreign exchange (gain) / loss	(2,853)	(302)	(7)	(2,633)	(44,339)	(965)
<b>Total operating expenses</b>	<b>1,262,346</b>	<b>1,357,860</b>	<b>29,551</b>	<b>2,408,839</b>	<b>2,660,480</b>	<b>57,899</b>
Operating profit / (loss)	(89,453)	25,238	549	(214,671)	40,999	893

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Other income, net	9,340	35,192	766	25,527	66,066	1,438
Profit / (loss) before taxes and equity in profit of affiliate	(80,113)	60,430	1,315	(189,144)	107,065	2,331
Equity in profit of affiliate	18,526	8,106	176	29,408	23,894	520
Profit / (loss) before income tax	(61,587)	68,536	1,491	(159,736)	130,959	2,851
Taxes						
<b>Net profit / (loss) after tax</b>	<b>Rs. (61,587)</b>	<b>Rs. 68,536</b>	<b>\$ 1,491</b>	<b>Rs. (159,736)</b>	<b>Rs. 130,959</b>	<b>\$ 2,851</b>
<b>Net profit / (loss) per share Basic</b>	(1.74)	1.60	0.03	(4.51)	3.07	0.07
<b>Net profit / (loss) per share Diluted</b>	(1.74)	1.60	0.03	(4.51)	3.06	0.07
<b>Weighted average equity shares Basic</b>	35,380,278	42,704,756	42,704,756	35,380,278	42,644,682	42,644,682
<b>Weighted average equity shares Diluted</b>	35,380,278	42,851,406	42,851,406	35,380,278	42,840,081	42,840,081

See accompanying notes to unaudited condensed consolidated financial statements

**SIFY LIMITED and Subsidiaries**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands and as otherwise stated)**

	Six months ended September 30,		
	2005	2006	2006
	Rs.	Rs.	\$
<b>Net profit / (loss)</b>	<b>Rs. (159,736)</b>	<b>Rs. 130,959</b>	<b>\$ 2,851</b>
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:			
Depreciation, impairment and amortization of intangible assets and deferred stock compensation	238,539	270,226	5,881
Equity in profit of affiliate	(29,408)	(23,894)	(520)
(Gain) / Loss on sale of property, plant and equipment	780	(261)	(6)
Provision for doubtful receivables and advances	33,045	73,664	1,603
Unrealized (gain) / loss on account of exchange differences		765	17
Translation (gain) / loss on cash and cash equivalents	(2,070)	(11,235)	(244)
Gain on disposal of subsidiary	(1,595)		
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(126,441)	(288,569)	(6,280)
Due from employees	(2,165)	20,384	443
Due from related parties	(16,544)		
Inventories	(18,240)	(341)	(7)
Prepaid expenses	27,441	(39,619)	(862)
Other assets	1,963	(76,316)	(1,661)
Net investment in leases	2,964	(11,696)	(255)
Trade accounts payable and accrued liabilities	62,264	(173,591)	(3,778)
Deferred revenue	99,771	29,453	641
Advances from customers	23,771	(3,771)	(82)
Other liabilities	(10,502)	20,818	453
<b>Net cash provided/(used) by operating activities</b>	<b>Rs. 123,837</b>	<b>Rs. (83,024)</b>	<b>\$ (1,806)</b>
<b>Cash flows from investing activities:</b>			
Expenditure on property, plant and equipment	(337,416)	(385,908)	(8,399)
Proceeds from sale of property, plant and equipment	1,280	1,640	36
Expenditure on intangible assets		(7,278)	(158)
Business acquisition		(92,934)	(2,023)
Net movement in cash restricted	21,240		
<b>Net cash used in investing activities</b>	<b>Rs. (314,896)</b>	<b>Rs. (484,480)</b>	<b>\$ (10,544)</b>
<b>Cash flows from financing activities:</b>			
Principal payments under capital lease obligations	(3,670)	(2,025)	(44)

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Net proceeds from issuance of common stock		51,345	1,117
<b>Net cash provided by financing activities</b>	<b>Rs. (3,670)</b>	<b>Rs. 49,320</b>	<b>\$ 1,073</b>
Effect of exchange rate changes on cash and cash equivalents	2,070	11,235	245
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(192,659)</b>	<b>(506,949)</b>	<b>\$ (11,032)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,323,912</b>	<b>2,822,501</b>	<b>61,425</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>Rs. 1,131,253</b>	<b>Rs. 2,315,552</b>	<b>\$ 50,393</b>

**Supplementary Information**

Cash paid towards interest	6,425	4,012	87
Cash paid / (refund received) towards income taxes	(19,905)	23,766	517
Additions to property, plant and equipment represented by capital lease obligations	1,131	1,720	37

See accompanying notes to unaudited condensed consolidated financial statements

**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 Capital	Comprehensive Income	Deferred Compensation - Employee Stock Offer Plan	Accumulated Deficit	Total Stockholders Equity
	Shares Nos.	Par Value Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as of March 31, 2006 (1)</b>	42,389,514	423,895	16,238,413		(41,925)	(12,565,874)	4,054,509
Issue of common stock	322,966	3,230	48,115				51,345
Compensation related to stock option grants			41,470				41,470
Reversal of unamortized compensation cost pursuant to adoption of SFAS 123R			(41,925)		41,925		130,959
Net profit				130,959		130,959	130,959
Comprehensive income				130,959			
<b>Balance as of September 30, 2006</b>	42,712,480	427,125	16,286,073			(12,434,915)	4,278,283
<b>Balance as of September 30, 2006 (in US\$)</b>		9,295	354,430			(270,618)	93,107

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

**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, and selling products related to such services.

**2. Summary of significant accounting policies**

**a. Basis of preparation of financial statements**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) in Indian Rupees, the national currency of India. Solely for the convenience of the reader, the financial statements as of and for the quarter and six months ended September 30, 2006 have been translated into United States dollars at the noon buying rate in New York City on September 30, 2006 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of US\$1 = Rs. 45.95. 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, 2006 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 U.S. 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, 2006.

**c. Business combinations**

Business combinations have been accounted using the purchase method under the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 141, Business Combinations. Cash and amounts of consideration that are determinable at the date of acquisition are included in determining the cost of the acquired business.

**3. Acquisition of Globe Travel Business**

During the quarter ended June 30, 2006, the Company acquired Globe Travels which operates an online travel agency. The management believes this acquisition marks Sify s entry into the fast growing online travel business, particularly e-ticketing, the category with highest revenues and fastest growth in online e-commerce today. The management also believes that the addition of a travel portal is in line with the Company s strategy of providing end-to-end services to Sify users. The results of Globe Travels operations have been consolidated in the financial statements effective May 10, 2006, the date of acquisition. The purchase price in respect of the business acquisition comprises the following:

	Rs. 112,220
Cash price	(USD 2,500)
Stock options (No. of options)	140,000
Earn out payments	USD 500

The Cash price of USD 2,500 includes an amount of USD 500 as holdback amount payable upon the Airlines Reporting Corporation ( ARC ) approval of the Company s application for change of ownership of the travel portal. The

said holdback amount has been included and accounted as purchase consideration since the management, based on advice, believes tha