

**Smartlink Network Systems Ltd.**

Annual Report 2010-11



**DIGISOL™**

**DIGICARE™**

**DIGILITE™**

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# SMART THINK.

That's what we do at SmartLink. That's how our minds work.  
On behalf of every customer, associate, partner,  
investor – in fact, every stakeholder.

It's a mind-set that's alert to constant change.  
In the industry, the market, the technology.  
And in the expectations of customers.  
From individuals through small businesses to large corporations  
– all seeking empowerment from the solutions we offer.

It's the eye that sees trends and patterns in unfolding events.  
And grasps the opportunities revealed.

It's the ability to innovate and create.  
To offer better value through better solutions and services.  
Sharpening our own edge in the industry,  
and every customer's edge in his application area.

It's the visionary foresight that keeps us advancing into the future.  
Drawing on the past without being burdened by it.  
Constantly adapting through new alignments and  
fresh focus areas.

It's the attitude that keeps us reinventing ourselves,  
so that we are always the right player in the right arena.  
With the right resources for victory.

# SMARTLINK.



K. R. Naik, *Executive Chairman*

# Chairman's Message

**Dear Shareholders,**

It gives me great pleasure to communicate with you at a time of profound change at Smartlink. Such change is in the very nature of the IT industry, whose landscape keeps getting transformed from year to year. In such a scenario, the smart response for companies is to keep pace with the changes and find new directions for growth. This is what we have done at Smartlink; and that is how we remain the right company in the right segments at the right time.

If you look back at our history, you will find this theme occurring again and again. It is part of the 'Smart Think' attitude that is embedded into our DNA, and which we celebrate as the theme for this year's Annual Report. It has been our hallmark ever since we were founded, nearly three decades ago.

## **The four-fold path to growth**

Even in those early days of so called high-value mainframe computers, when the term 'IT' hardly existed, we knew that growth in this field would be enormous and hence required certain key enablers.

First, there has to be a strong line of growing technology products, addressing well-defined customer needs, and offering genuine value.

Secondly, there has to be knowledge and expertise of the technology along with in-house value-addition to suit the Indian conditions with innovation, manufacturing and R&D capabilities in response to the evolving market.

Thirdly, there must be a steady and sustained outreach to the customer, through a network of strong channel distribution, sales and marketing, as well as through continuous communications.

Fourthly, the product offerings must be backed up by prompt and quality service that is accessible, responsive and highly competent.

At every critical point in our history, you see these enablers at work. You see our technology awareness going hand-in-hand with our portfolio of offerings, always keeping up with the times.

## **Active products: what our cards foretold**

We started by being amongst the earliest to set up SMT lines in India way back in the early 90's. In 1995, we entered into a JV with D-Link Corporation of Taiwan. As networking began to rapidly gain ground in India, we saw a huge opportunity and expanded our manufacturing capabilities steadily by adding more SMT lines in 1999 and 2001.

With our JV partner, we put together a very comprehensive line-up of Active products, addressing many applications and specialised niches in the market. For us, it was a tremendous grounding in the domain of Active Networking Products, which has remained our core competency through all the years that followed.

Those years also saw our entry into the Passive segment. Once again, we had spotted a growth trend due to the requirement of higher bandwidth and the increasing complexity of cabling (Passive range). Hence we started our own in-house development in passive range products. After seeing the enormous growth potential in passive products, we launched the brand DIGILINK in 2004. By 2008, DIGILINK had become one of the leading brands in the structured cabling segment, a truly rare success story of indigenous development and brand building in the Indian networking industry.

### Reaching out for success

A very critical factor in the enormous success of both Active and Passive products was our set-up for marketing and distribution. It was a nationwide network of regional distributors' with an entrepreneurial attitude, whom we supported and encouraged. We formed close and lasting bonds with all these channel partners across the country; and put enormous effort into keeping those relationships vibrant and productive.

Through this network, we are able to remain in constant touch with the market, to feel its pulse and sense its directions. We are also able to provide the ready access to service which is a must in any technology domain. To this day, our channel partners and their capabilities remain as key assets of the company; they will be with us in whatever journeys we now undertake.

### Independent avenues of growth

Together, Active and Passive products each made up roughly 50% of the business. We and our JV partner both saw that both lines would better realise their potential if they focused on their own independent avenues of growth. Towards the financial year end of 2008, there occurred a formal de-merger, we changed our company name to **Smartlink Network Systems Limited**, controlling the entire passive cabling portfolio, along with the extensive manufacturing facilities, our nationwide infrastructure and our marketing network. And, of course, we had our dealers and distributors with us as valuable allies; while the Active business - the brand and the products was given to the new company.

That brings us to the latest chapter in our story. As I mentioned earlier, Active products were very much part of our core competency right from day one. We had the in-depth knowledge; and we had our distribution and service partners ready and eager to once again be allied with us in Active products. So why not relaunch that business with a new brand name? This we did, in 2010, by introducing the DIGISOL range of Active products. Within a very short time, DIGISOL met with a good deal of acceptance and approval in the market.

### Towards an Active tomorrow

It became clear to us that our future lay in Active products. We believed that the Passive business required the backing of a global brand that could grow that business not only in India but also in international markets.



Active products, on the other hand, would provide us with an opportunity to leverage our four enablers – products, technology, reach and service – to go after all the growth potential that lay waiting to be realized. An Active line would also maximise the usefulness of the manufacturing units, which represented one of the finest manufacturing infrastructures in the country.

### **A Momentous Step that Unlocks Value for Shareholders**

Smartlink is in the midst of one of the greatest transitions that the IT industry is witnessing. Growing consolidation, mergers and acquisitions, intense competition to gain market share by new entrants, deployment of huge resources towards building brands – these have become the order of the day.

History has taught us that there are times in the life of an organization when opportunities need to be encashed upon.

“..... There is a tide in the affairs of men  
Which, taken at the flood, leads on to fortune”

– William Shakespeare

Schneider Electric India Pvt. Ltd. was already present in the ‘Passive’ business with its other acquired brands; however their presence had been in the higher-end enterprise segment. By acquiring the ‘DIGILINK’ business, they can now leverage the strong channel network of the brand as well as use the facility to manufacture the products locally in India.

Having concluded the slump sale of the Passive business, our focus on Active products is now sharpened. The enablers are all in place. There is scope for our R&D to innovate for market needs. Our distribution and service partners are enthusiastically with us on the journey. Our manufacturing capability will finally be properly and fully leveraged. And the road-map is clear, complete with options for the buying of specific technologies, or the forming of strategic alliances.

Clearly, Smartlink today is a fundamentally different company. To some, the decision to exit the DIGILINK business may seem foolhardy but it was important that Smartlink’s management took a bold and courageous decision keeping in view the long term business prospects.

The momentum that took us back to our historic Active capability has also led us back to the motherboards of our earliest years. We plan to shortly introduce DIGILITE, featuring a comprehensive range of motherboards of various types. I know that all of you join me in looking forward to that future with keen anticipation.

Let me close by expressing my pride to the men and women of the Smartlink team who have brought us to this point. And let me express my gratitude to you, our shareholders, for your unwavering support. I hope you are pleased with how your company is performing and evolving. And I trust that you share our excitement in what promises to be a new epoch for your company.

Sincerely,

K. R. Naik, *Executive Chairman*



Smartlink Network Systems Ltd. is one of India's leading networking companies offering an integrated value proposition that includes design and development, manufacturing, sales and marketing, and service and support. The Company has a robust product portfolio and a nationwide reach through its network of national and regional distributors, resellers and system integrators.

### Mission

- To enable our Customers Success in their business through our Future First Product offerings.
- To encompass Technological Innovation with sustained investments in People and Processes.
- To ensure highest levels of Trust and Transparency with all internal and external stakeholders.

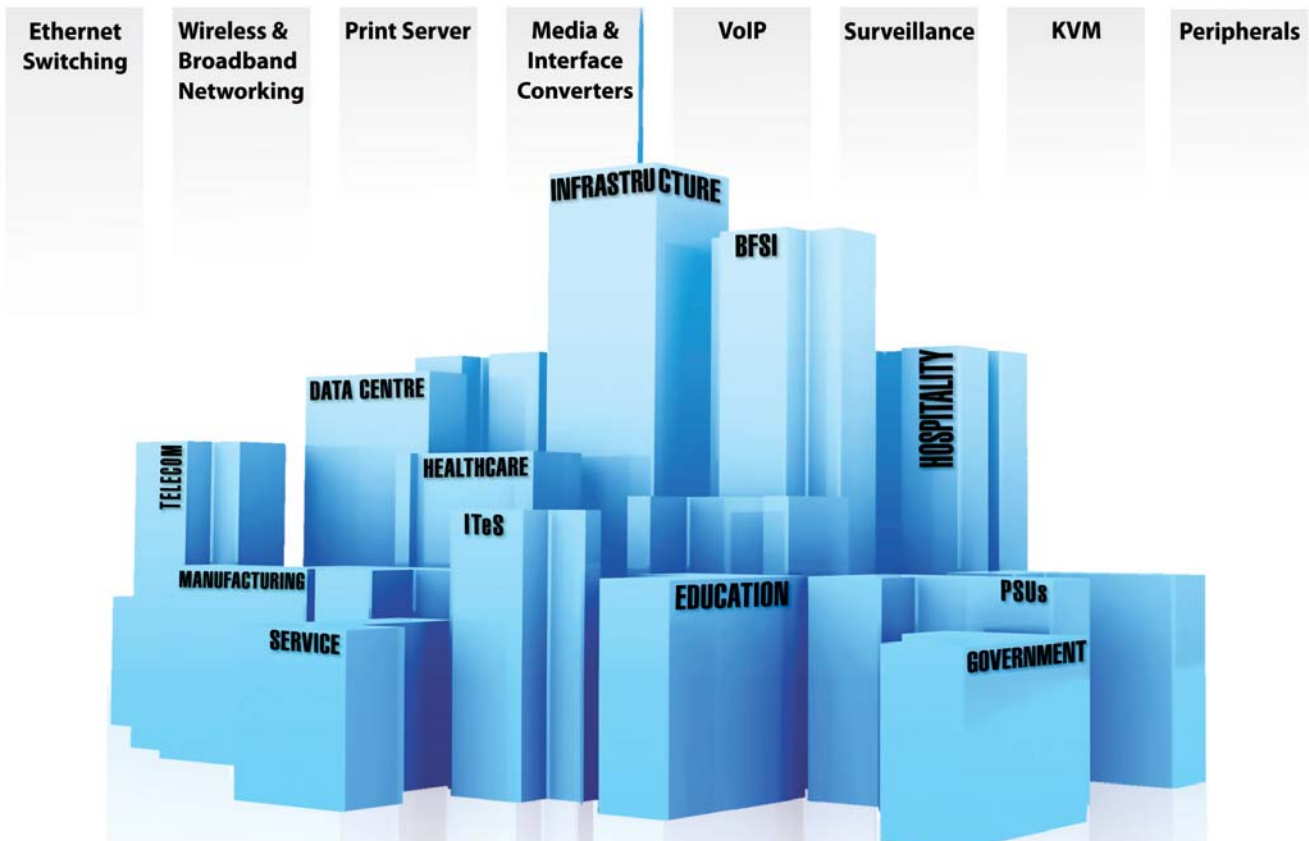
### Vision

To be the global leader in Converged Communication systems, by offering an integrated value proposition from Design to Development and from Sales & Marketing to Service & Support.

### Values

- Innovation
- Commitment
- People Growth
- Customer Delight
- Highest Ethics & Integrity

## DIGISOL has the perfect networking solutions across all verticals.





## MILESTONES

- |   |  |
|---|--|
| <p>1993 Started the first SMT line set-up at Goa under Smartlink Network Private Ltd.</p> <p>1995 Name changed to D-Link (India) Private Ltd. after entering into a joint venture with D-Link Corporation, Taiwan.</p> <p>1998 Initiated a joint venture for SCS Products.</p> <p>1999 Developed and manufactured SCS products locally at the plant in Goa.</p> <p>2001 Listed on the Bombay Stock Exchange and the National Stock Exchange.</p> <p>2004 Launched SCS range of products under the Brand Name 'DIGILINK®'.</p> | <p>2009 The Company demerged and erstwhile D-Link (India) Ltd. was renamed as Smartlink Network Systems Ltd. with SCS range of products under brand name DIGILINK® as focused business and the D-Link brand business was spun off.</p> <p>2010 Launched DIGISOL®, range of active networking products in Converged Communication.</p> <p>2011 Sold DIGILINK® business on a slump sale basis to Schneider Electric India Pvt. Ltd.</p> <p>2011 Launched DIGILITE™, a new brand in Motherboards.</p> |
|---|--|



## AWARDS

Brand	Award	Publication	Year
DIGISOL	Fastest growing IT Brand	Infofriend	2011
DIGISOL	Most Popular Brand	CompuVar Magazine	2011
DIGISOL	Fastest growing Brand in IT	VarIndia	2010
DIGICARE	Best Post Sales Services	VarIndia	2010

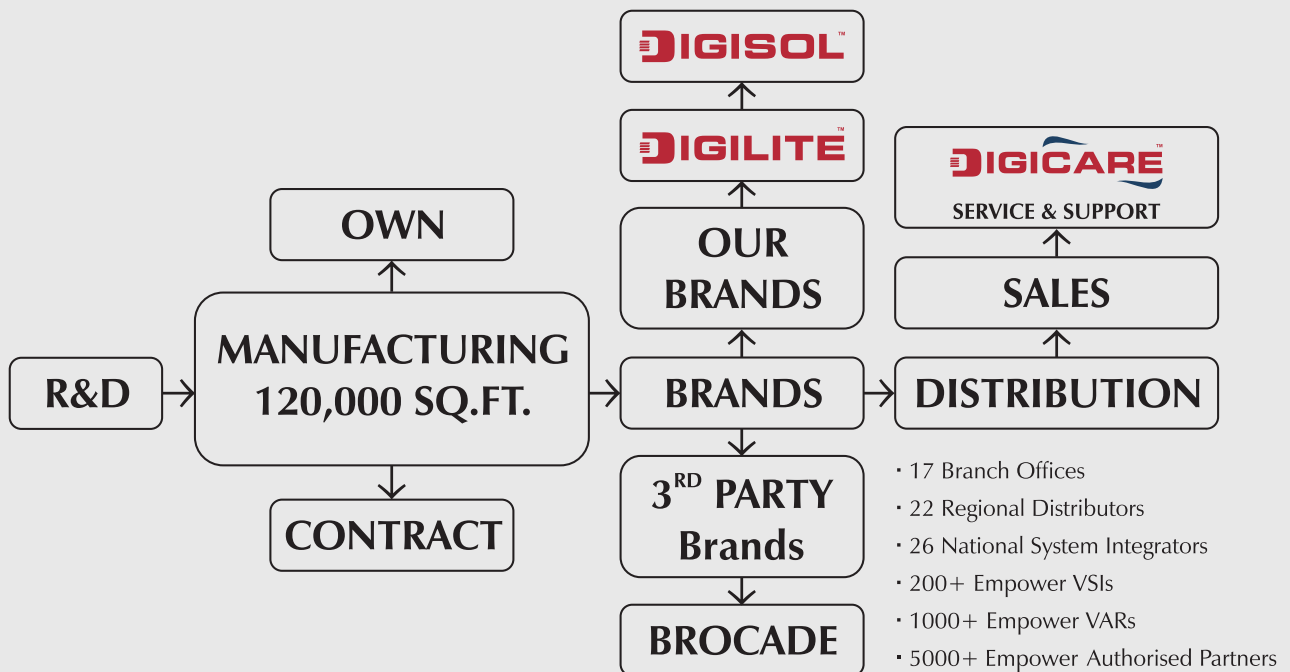
  

Product	Award	Publication	Year
DG-WN3150N Wireless USB Adapter	Chip Test Center Recommended Award	Chip	2011
DG-GS1008 Gigabit Ethernet Switch	No 1 Product in Top 10 SME Products	SME Channel	2011
DG-FS1024D Fast Ethernet Switch	Best Buy and Recommended Award	SME Channel	2010
DG-GS1008 Gigabit Ethernet Switch	Best Buy and Recommended Award	SME Channel	2010





## BUSINESS MODEL





## DIGICARE INTEGRATED SERVICE & SUPPORT

### RMA

Service and Support Centre

### DTAC

24x7 Technical Assistance Centre

### DSD

Direct Service Division

## OUR SERVICE

We have a special service and support division to provide round the clock technical support to our customers.

DIGICARE provides effective and efficient repair and logistics service nationally backed by state-of-the-art infrastructure and skilled human resources.

DIGICARE covers the entire nation with a network of 22 Direct RMA/Service Centers and 42 Collection Centers across the country with 326 employees dedicated to RMA services.

DIGICARE has a unique Web based RMA online system 'iSMART' to monitor the service activity, online repair status update, automated email and SMS alerts facility and warranty tracking.

Over the years, DIGICARE has attained exceptionally high level of skill sets for repair of a complete range of networking products, motherboard, notebooks and LCD monitors.

DIGICARE also caters to many other well known MNC brands.



## Converged Communication Solutions



DIGISOL delivers a wide range of powerful networking products within the Converged Communication solutions.

It's legacy of developing conscientious products further bestows the coveted competitive edge. Having discerned the precise requirements of the industry DIGISOL has developed and is in the process of developing a wide-ranging product portfolio which comprises of:

- Switching
- Broadband Routing
- Wireless LAN
- Converged Communication
- IP Surveillance
- VoIP

Our well trained Engineers offer assistance in designing optimum systems and provide value added services like consultancy, site evaluation, network planning, site audits etc. to meet customer needs. With a pool of certified engineers we are always available to provide our customers with prompt technical support, Pre-sales and Post-sales.

Our 'Future proof & Future ready' products deliver unparalleled value and enable our customers to excel through lower network ownership costs, enhanced productivity, total reliability and easy scalability of their networks.

DIGISOL plant infrastructure meets & exceeds industry standards and exhibits optimized end-to-end network performance. It compliments every user with increased margin, higher head room, higher bandwidth and maximum speed.

### The DIGISOL® brand is built on four pillars:

- We identify customer needs
- We innovate technology solutions to meet those needs
- We have state-of-the-art manufacturing facilities to roll out the products required by our customers
- We have the entire range made available to our customers through our distribution Network

In our Quest for continuous improvement in cost, quality and performance, we adopt and implement processes which exhibit very high level of efficiency which help us getting closer and closer to our customers.

This is our process, a never-ending cycle of bringing more resources and innovation to provide reliable solutions to our customers.





## DIGILITE™

Smartlink will shortly enter the motherboard market with its new brand DIGILITE. The motherboard market is huge and the company has sophisticated manufacturing capabilities and vast experience in the manufacture of motherboards, having done so for a leading brand for several years. Like other Smartlink products, DIGILITE motherboards will set new benchmarks for quality, reliability and deliver great value for money.

## Solutions for Our Customers

Customer-satisfaction is more than product development. Our focus on customer needs involves ongoing discussions, identifying customers' product or technology needs, staying at the top of our craft and providing continuous support throughout the product life cycle. As a result, innovation at DIGISOL never rests and service is our priority.

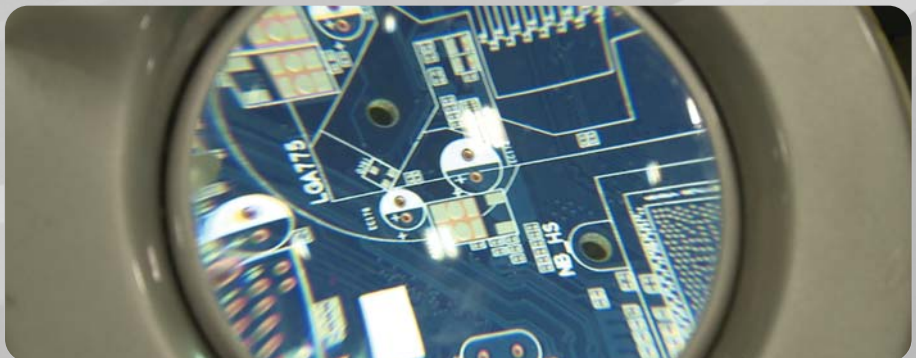
## Broad Product Resources

Our sales, distribution and installation teams are ready to provide you with an unprecedented array of products for your facility or project. Collectively, they represent hundreds of thousands of possible combinations in which that one "right networking solution" for you resides.



## Constant Innovation

Our technology focuses on industrial requirements and needs. Our constant innovation provides advanced networking solutions and meets technology needs of today and tomorrow.





## OUR MANUFACTURING FACILITIES

Our state-of-the-art manufacturing facility at Goa incorporates the latest technology and the most sophisticated equipments and all products are manufactured in a dust-proof, humidity controlled environment. We are well equipped to manufacture a comprehensive range of networking and communication products.

The facilities are ISO 9001:2000 and ISO 14001:2004 certified and initiatives like Quality Circles and Six Sigma ensure flawless results.

We have high end design and engineering capabilities that encompass the most sophisticated product design and testing software.

We deliver the highest quality and have the ability to offer an ideal product mix at a very rapid pace.







## OUR R&D

We have made substantial investments in R&D and progressively implemented well integrated R&D initiatives that span through the entire life cycle of a product.

We have had several pioneering achievements in R&D that we can be justifiably proud of. For example, we were the first Indian company to design, develop, manufacture and market sophisticated high-end products like the IP videophone.

Our R&D capabilities also encompasses end-to-end product development in access routing and VoIP/IP telephony.

Among the rare Indian companies to have invested substantially in R&D, we firmly believe that it provides us the ability to offer cutting-edge products and stay ahead of the competition.



## OUR NETWORK

Our unique distribution system comprises of national distributors to address the NSI business and exclusive regional distributors to address the channel and SMB segments. This ensures extensive reach and easy availability of all our products and solutions throughout the country.

### Our network comprises of:

- 17 Branch Offices
- 22 Regional Distributors
- 26 National System Integrators (NSI)
- Over 200 Empower Value System Integrators (EVS)
- Over 1000 Empower Value Added Resellers (EVAR)
- Over 5000 Empower Authorised Partners (AP)

We work closely with our channel partners and system integrators who value the power and quality of our products.

We also invest considerably in training and empowering our channel partners to build their technical expertise as well as enhance our brand positioning and visibility in the industry.

Our market know-how and in-depth understanding have led us to emerge as pioneers in delivering end-to-end products and our customers cover a broad spectrum - from small and medium business segments to the enterprise market.

## Board of Directors



**K. R. Naik** – Executive Chairman

Mr. K. R. Naik is the main promoter of Smartlink Network Systems Ltd. He joined the Company as the Director on 31<sup>st</sup> March 1993. Mr. Naik has nearly 4 decades of experience in the networking industry. He holds a Post Graduate Degree in Industrial Engineering from Jhunjunwala College, Mumbai and a Diploma in Business Management from Jamnalal Bajaj Institute of Management, Mumbai. He started his career with IBM India and was part of the design and development of parts and products team. He is also a former President of MAIT.



**Jango Dalal**

Mr. Jango Dalal is an industry veteran and brings with him 24 years of industry experience from organizations like Wipro Infotech, Wipro British Telecom, Cisco Systems and erstwhile D-Link (India) Ltd. He is presently the Managing Director of Avaya India Pvt. Ltd. He holds a Bachelors Degree in Science and Master of Management Studies (MBA) with specialization in Marketing from Mumbai University.



**Dattaraj Salgaocar**

Mr. Dattaraj Salgaocar holds a Bachelors Degree in Production Engineering from VJTI, University of Mumbai and MBA (Finance) from Wharton Business School, University of Pennsylvania, USA. He is a leading industrialist.



**R. T. Krishnan**

Prof. R. T. Krishnan possesses a Masters Degree in Science from IIT, Kanpur, Masters Degree in Engineering, Economic Systems, Stanford University and a Doctorate from IIM, Ahmedabad. He is presently a Professor, Corporate Strategy & Policy Area at Indian Institute of Management, Bangalore. His research interests are in the areas of Strategy, Innovation and Competitiveness.

**Pankaj Baliga**

Mr. Pankaj Baliga has a Bachelors Degree in Engineering, NIT, Durgapur, Masters Degree in Business Administration, IIM, Ahmedabad and is a SPURS Fellow, Massachusetts Institute of Technology, U.S.A. He has more than 35 years of experience in Management of which for over 30 years with the Tata Group and the last 9 years at Tata Consultancy Services Ltd. (TCS), where he is presently a Consulting Advisor.

**K. M. Gaonkar**

Mr. K. M. Gaonkar possesses a Masters Degree in Science from UDC Mumbai and has 30 years of experience in the petrochemical and fibre industry. He started his career with Colour Chem Ltd. as a Research Chemist, where he worked for a period of 7 years before shifting to Reliance Industries Ltd. where he worked for 23 years in various positions, with the last six years as a Vice President in their Fibres Marketing Division. Today he is a Freelance Consultant.

**Pradeep Rane**

Mr. Pradeep Rane is a Science graduate and has around 30 years of experience in Sales and Marketing and overall Business Management in the Pharmaceuticals industry.



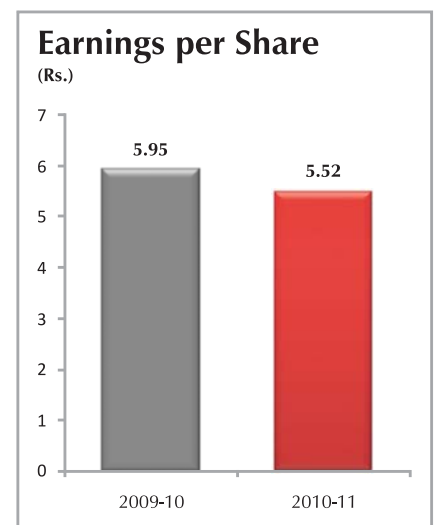
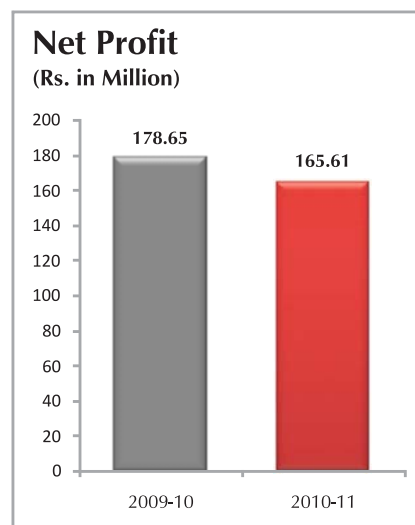
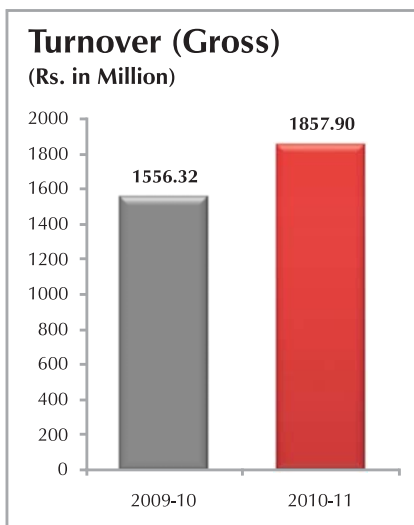
# FINANCIAL INFORMATION



## Financial Overview

(Rs. in million)

	2009-10	2010-11
Turnover (Gross)	1556.32	1857.90
Income from Services	168.52	128.00
Profit Before Depreciation and Tax	360.67	288.62
<b>Less:</b> Depreciation for the year	117.97	75.76
Profit Before Tax	<b>242.70</b>	<b>212.86</b>
<b>Less:</b> Provision for Tax		
a) Current Tax	85.00	55.21
b) Deferred Tax	(22.73)	(9.42)
Profit After Tax	<b>180.43</b>	<b>167.07</b>
<b>Less:</b> Tax adjustment of Previous Year	1.78	1.46
Net Profit	<b>178.65</b>	<b>165.61</b>
Balance of profit brought forward	959.95	1033.26
Amount available for Appropriations	1138.59	1198.87
Transfer to General Reserve	17.86	16.56
Dividend	75.01	60.01
Tax on Dividend	12.46	9.73
Balance carried forward to Balance Sheet	1033.26	1112.57
Earning per Share (Rs.)	<b>5.95</b>	<b>5.52</b>





# Directors' Report

## TO THE MEMBERS,

The Board of Directors of your Company take pleasure in presenting their 18<sup>th</sup> Annual Report together with Audited Balance Sheet and Profit & Loss Account for the financial year ended 31<sup>st</sup> March 2011.

### 1. FINANCIAL RESULTS AND APPROPRIATIONS:

(Rs. in million)

	2010-11	2009-10
Turnover (Gross)	1857.90	1556.32
Income from Services	128.00	168.52
Profit Before Depreciation and Tax	288.62	360.67
<b>Less:</b> Depreciation for the year	75.76	117.97
Profit Before Tax	<b>212.86</b>	<b>242.70</b>
<b>Less:</b> Provision for Tax		
a) Current Tax	55.21	85.00
b) Deferred Tax	(9.42)	(22.73)
Profit After Tax	<b>167.07</b>	<b>180.43</b>
<b>Less:</b> Tax adjustment of Previous Year	1.46	1.78
Net Profit	<b>165.61</b>	<b>178.65</b>
Balance of profit brought forward	1033.26	959.95
Amount available for Appropriations	1198.87	1138.59
Transfer to General Reserve	16.56	17.86
Dividend	60.01	75.01
Tax on Dividend	9.73	12.46
Balance carried forward to Balance Sheet	1112.57	1033.26
Earnings per Share (Rs.)	<b>5.52</b>	<b>5.95</b>

### 2. PERFORMANCE AND SIGNIFICANT DEVELOPMENTS:

In the financial year 2010-11, the company achieved a Turnover of Rs. 1857.90 million representing a growth of 19.38% as compared to Rs. 1,556.32 million in the previous year. The sales from services were lower at Rs. 128.00 million for the year ended 31<sup>st</sup> March, 2011 as compared to Rs. 168.52 million in the previous year.

Net Profit after tax decreased by 7.3% to Rs. 165.61 million for the year ending 31<sup>st</sup> March, 2011 as compared to Rs. 178.65 million in the previous year.

### 3. SALE OF DIGILINK BUSINESS:

On 31<sup>st</sup> March, 2011, the Company entered into a Business Transfer Agreement with Schneider Electric India Private Limited ("Schneider") for the sale of "DIGILINK Business" to Schneider for a consideration of Rs. 5030 million in cash on a slump sale basis. 'DIGILINK Business' includes the land and building along with manufacturing facilities located at Plot No. L-3, Verna Industrial Estate, Verna, Goa and land and building premises located at Plot No. L-30, Verna Industrial Estate, Verna, Goa and all assets and liabilities relating to the 'DIGILINK Business' (excluding cash and cash equivalents), distribution network, trademarks and the employees relating to the DIGILINK business.

On 11<sup>th</sup> May, 2011 the shareholders approved through Postal Ballot the sale of the 'DIGILINK Business' to Schneider by passing an Ordinary Resolution under Section 293 (1) (a) of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot Rules, 2001). The votes cast assenting to the Ordinary Resolution were 22,502,181 shares representing 99.78 % of the total valid votes polled.

On 13<sup>th</sup> May, 2011, the Closing date, the company received the aforesaid consideration of Rs.5030 million subject to necessary working capital changes and the 'DIGILINK Business' has been transferred to Schneider as a going concern on a slump sale basis.

The sale of 'DIGILINK Business' constitutes "discontinuing operations" and a detailed disclosure required under Accounting Standard 24 is given in the notes to the financial statements in Schedule 15 (B) (3).

Following the sale of the 'DIGILINK Business', the company shall continue to operate its other existing business in the areas of active networking products under the brand name 'DIGISOL' and the service business comprising mainly of after sales service and support of all computer hardware products and technical call center services under the brand name 'DIGICARE'.

### 4. DIVIDEND:

In view of the above, your Directors declared a payment of Special Interim Dividend of Rs. 30/- (Rupees Thirty only) per Equity Share of Rs. 2/- each i.e. 1500% for the year 2011-12 at its Meeting held on 23<sup>rd</sup> May, 2011.



Your Directors have also recommended for your consideration the payment of dividend of Rs. 2/- each for the year 2010-11 @ 100% per Equity Share of Rs. 2/- each if approved by Members at the forthcoming Annual General Meeting.

## 5. EMPLOYEE STOCK OPTION PLAN

The Company had Employee Stock Option Scheme, which was being administered by ESOP Trust and Remuneration Committee (earlier known as ESOP Compensation Committee) of Directors constituted as per SEBI Regulations. During the year 76,000 shares were exercised and the Employee Stock Option Plan has been terminated following the completion of the term of the ESOP Scheme.

## 6. MANAGEMENT DISCUSSION & ANALYSIS REPORT

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report is attached as part of this Annual Report.

## 7. CORPORATE GOVERNANCE

A separate section on Corporate Governance as well as Certificate by Dr. K. R. Chandratre - Practising Company Secretary, regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report.

### Disclosure on Voluntary Corporate Governance Guidelines:

The Ministry of Corporate Affairs has issued a set of Voluntary guidelines called "Corporate Governance - Voluntary Guidelines 2009" in December, 2009. The guidelines include conditions for composition of board, appointment of directors, scope and role of audit committee, rotation of Auditor firms and partners, Secretarial Audit Report and Institution of mechanism for whistle blowing. The Company is substantially complying with the recommendations on Audit committee and whistle blower policy and is taking steps towards implementation of other guidelines.

## 8. AWARDS & RECOGNITION

The Company's efforts have been acknowledged through numerous awards and prestigious accolades in 2010-11 for various brands as mentioned in the Management Discussion and Analysis Report.

## 9. DIRECTORS

Mr. Jango Dalal and Mr. Dattaraj Salgaocar, Directors of the Company who retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

## 10. FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year under review and, as such, no amount of principal or interest was outstanding as on the date of Balance Sheet.

## 11. AUDITORS

The Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

## 12. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

### a. Conservation of Energy and Technology Absorption:

Your Company's manufacturing facilities at Goa continue to maintain the prestigious ISO Certification under ISO 14001:2004 for Environmental Management System and ISO 9001:2008 for the Quality Management System from UL DQS Inc. a leading international certification company.

Your Company continued to implement energy conservation measures during the year in various areas such as efficient use of air conditioning, provisioning of cross ventilations for the buildings and use of better thermal insulating materials in new aircondition installations. Rain Water Harvesting and recharging of ground water which was one of the major initiatives undertaken last year, has been completed successfully helping your company to contribute substantially towards water conservation.

In continuance of the energy conservation initiative of your company, modernisation of the chiller units of the Air Conditioning system, is under active consideration.

Your company was also one of the recipients of Safety Award from Green Triangle Society of Goa.

### b. Technology Absorption:

The manufacturing lines are now completely complying with the European Union's RoHS requirements and your company is committed to a continuous programme of

technological upgradation and development of new products, processes and applications.

New Interop Labs have been created at R&D facilities in Goa and Bangalore. This shall cater to the needs of the industry in test and measurements of the products in the niche technology areas such as VoIP, Internetworking and Network Security. Another initiative has been taken to get your Goa infrastructure facilities approved by Telecommunication Engineering Center.

The company's Research & Development Centre's at Bangalore and Goa has been recognized by Department of Scientific and Industrial Research (DSIR) and the expenditure on the same is stated in Schedule 15 B - Notes forming part of the Accounts.

**c. Foreign Exchange Earnings and Outgo:**

Total foreign exchange earnings and outgo is stated in Schedule 15 B - Notes forming part of the Accounts.

**13. PARTICULARS OF EMPLOYEES:**

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, in pursuance of section 219(1) (b) (iv) of the Companies Act, 1956, this report is being sent to all the members of the company excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company. The members desirous of obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**14. CONSOLIDATED FINANCIAL STATEMENTS:**

In accordance with Accounting Standard - 21 on Consolidated Financial Statements, the audited consolidated statements including the financial results of the 100% subsidiary, Digilink Middle East FZE has been provided in the Annual Report.

The Company has availed the exemption given under Notification No: 51/12/2007-CL-III dated 8<sup>th</sup> February, 2011 issued by the Ministry of Corporate Affairs, Government of India, and accordingly the Balance Sheet, Profit and Loss Account and other documents of the subsidiary company are not being attached with the Balance Sheet of the Company.

The information relating to the subsidiary company as required under the aforesaid circular is being provided by way of a separate note in the consolidated financial statements. The Company will make available the Annual Accounts of the subsidiary company, M/s Digilink Middle East FZE to any member/investor of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company are also available for inspection at the Registered Office of the Company.

**15. DIRECTOR'S RESPONSIBILITY STATEMENT:**

As required under Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors hereby state and confirm that

- a) in the preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- b) appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and the profit of the Company for the financial year ending on March 31, 2011.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the annual accounts have been prepared on a 'going concern' basis.

**16. ACKNOWLEDGEMENTS**

The Board wishes to thank the customers, vendors, dealers, distributors, resellers, bankers and shareholders for their continued support. Your Directors also thank the Goa Industrial Development Corporation, State Industries and Electricity Departments for their continuing support.

Your Directors wish to place on record their appreciation of the continued excellent work done by all the employees of the Company during the year.

**For and on behalf of the Board**

**K. R. NAIK**

Executive Chairman

Place : Mumbai

Dated : 23<sup>rd</sup> May, 2011

# Management Discussion and Analysis

## ECONOMIC OVERVIEW

The sharp and broad-based recovery of the Indian economy, which started in the last quarter of 2009 continued through 2010. A normal monsoon boosting the performance of the agriculture sector, robust industrial production and continued momentum in the services sector have collectively contributed to the improvement in the growth of Gross Domestic Product which is estimated to grow by 8.5% in 2010-2011.

However, the optimism on the unbounded potential for growth has been clouded by the spiraling inflation, high fiscal deficit level, infrastructure constraints and downward trend in foreign direct investments which might impede the growth trajectory of the economy in the near future.

## INDUSTRY OVERVIEW

The overall India domestic IT services and Products markets was Rs 1,23,358 crore in 2010 and is expected to grow at a CAGR of 17.3% over 2010-2014. The IT sector has played a vital role in the growth and development of India and it has helped the Indian economy to emerge speedily from the impact of the global recession.

Today, India is one of the fastest growing IT networking products markets in the world. The growth of the networking products industry is expected to continue and will be propelled by various factors like new product innovation and increasing broadband and PC penetration.

With Indian companies making significant allocation of IT budgets on networking equipment, the enterprise networking equipment market is expected to grow at a CAGR of 15%. Springboard Research recently published findings of its study titled "Epicenter of growth – Indian Enterprise Networking Equipment Market Report" and predicted the market to grow at a 5 year compounded annual growth rate (CAGR) of 15% and touch US\$ 1.7 billion in 2012.

The deployment of 3G, the Indian Government's focus on taking the ICT revolution to the masses coupled with rapid growth in all sectors like telecom, education, retail, hospitality, aviation, infrastructure, manufacturing and banking, financial services and insurance which make substantial investments in IT infrastructure will further accelerate the growth of the networking products industry.

## MARKET OVERVIEW

### Structured Cabling

The Indian Structured Cabling Solutions (SCS) market comprises of copper and fibre cabling solutions and has now clearly segmented into commodity products (Cat 5), mainstream products (Cat 6 and Cat 6A) and emerging products (Cat 10G) and is witnessing increasing competition with the entry of several new players.

The Indian SCS market showed slow growth during the year but with increasing investments in IT infrastructure, it is expected to grow steadily. Among the verticals, government, IT/ITeS account for the largest share of the market followed by manufacturing, telecom, BFSI, education and others.

### Active Networking Products

The active networking equipment market in India which comprises largely of LAN switches, routers and WLAN products, registered strong growth during the year. This growth came in from various verticals including telecom, transport, finance and healthcare.

### LAN

The forecast for the LAN market is exciting and the market for both switches and routers is projected to grow at a CAGR of over 10% for the next few years.

The growth will be driven by India's growing GDP and the networking investments that will be made by some of the fastest growing verticals like retail, aviation, hospitality, government and manufacturing.

In addition, 3G investments are expected to pick up speed in 2011 making the telecom vertical a strong driver of growth.

On the enterprise front, IT/ITeS and BFSI, which are major consumers of networking products, will continue to grow and is expected to spread to smaller cities.

### WLAN

The Indian wireless market has also shown healthy growth during the year and expected to register double digit CAGR in the next two years.

## BUSINESS OVERVIEW

Smartlink is one of the leading converged communication systems player in India and enjoys significant presence in the structured cabling business. The Company was established in the year 1993, and has played a pivotal role in the Indian market in the field of network infrastructure in active and passive range of products.

The Company has three state-of-the-art plants located in Goa where it manufactures products for its own use as well as does Contract/EMS/OEM/ODM manufacturing of many kind of IT products. It has a unique distribution setup with one national distributor, 22 regional distributors, 1000+ VARs, 5000+ resellers, 500+ partners, 200+ system integrators. The nationwide distribution is supported by the company's marketing network, 17 branch offices and 64 RMA centres.

Structured cabling products (Passive Range) are sold under the brand 'DIGILINK' while the active/converged communication range of products which have been introduced in last financial year under the brand 'DIGISOL'.

**DIGILINK:** One of the leading brands in structured cabling in India, it has won innumerable awards from trade and industry. It enjoys the 2<sup>nd</sup> largest market share in the country with approximately 17%.

**DIGISOL:** The DIGISOL range of active networking products offers end to end solutions with a comprehensive product portfolio spanning ethernet switches, wireless and broadband networking, VoIP and surveillance, etc. Though most of the products were introduced in the last quarter of the last financial year, in a short period of time, the brand has gained immense popularity.

**DIGICARE:** Smartlink offers an integrated service model under its exclusive brand "DIGICARE". This works as an independent unit, and has a nationwide RMA service network with 64 service centers across the country providing Level I to Level 4 support to many global brands as well as Smartlink's own brands. The centers are equipped with sophisticated tools backed by the latest technology and quality processes. DIGICARE provides strong logistics support to manage backend delivery. Its technical assistance centre offers 24x7 voice, email and chat based support to many brands of several leading companies in India as well as in the U.S.A.

**DIGILITE:** SMARTLINK was among the pioneers to import a sophisticated SMT line in 1995, which it set up in Goa and commenced the manufacture of the first NIC card. Subsequently, Smartlink added several SMT lines and produced motherboards for a leading brand.

Equipped with technology, expertise, experience and sophisticated manufacturing capabilities, Smartlink is now entering the motherboard market with its new brand "DIGILITE". It plans to launch its motherboards in the second quarter of 2011.

## AWARDS AND ACCOLADES

### "DIGILINK" Awards

- "No 1 Brand in Structured Cabling" – Infofriend 2011
- "Users Choice Award" for Structured Cabling – PC Quest 2010 (7 years in a row)
- "Channel Choice Award": Best Structured Cabling Brand-DQ Channel 2010 (3 years in a row)
- "Channel Champions Award" in Structured Cabling CRN Year 2010 (4 years in a row)
- "Best Structured Cabling Brand" – VarIndia Year 2010

### "DIGISOL" Awards

- "Fastest growing IT brand" – Infofriend Year 2011
- "Most Popular Brand" – CompuVar Magazine Year 2011
- "Fastest growing Brand in IT" – VarIndia Year 2010

### "DIGICARE" Award

- "Best Post Sales Services" – VarIndia Year 2010

## BROCADE

Smartlink had a tie up and introduced products from Foundry Networks, USA around six years ago. Subsequently, Brocade, USA acquired Foundry Networks and the Company's business association continues with Brocade. Brocade is a world leader in SAN Switches and ethernet switching solutions and with this tie-up, Smartlink caters to customers using Brocade products for critical applications, through service agreements signed with them.

## HUMAN RESOURCES

Smartlink has always recognised the importance of its people and focuses on developing the employee capabilities. It provides a working environment that encourages innovation, enhances



work satisfaction and build a merit driven organization. The Company's human resource vision is to create a committed workforce through people enabling processes and knowledge sharing practices based upon its value system. As on March 31, 2011, the Company had 522 full time employees. Smartlink's future success will depend, in part, on its ability to continue to attract, retain and motivate highly qualified technical and management personnel, for whom competition is intense. The Company does not anticipate material turnover at this time or in the reasonably foreseeable future, especially among their technical personnel.

## FINANCIAL PERFORMANCE

**Turnover (Gross):** The Company recorded Turnover (Gross) of Rs. 1857.90 million as compared to Rs. 1,556.32 million for the previous year registering a growth of 19.38%.

**Profit Before Tax:** Profit before tax of the Company declined to Rs. 212.86 million from Rs. 242.70 million in the previous year.

**Profit After Tax:** Profit after Tax of the Company decreased to Rs. 165.61 million from Rs 178.65 million in the previous year.

## SALE OF DIGILINK BUSINESS TO SCHNEIDER

On 31<sup>st</sup> March 2011, Smartlink entered into business transfer agreement with Schneider Electric India Pvt. Ltd. for the sale of Smartlink's DIGILINK brand Business to Schneider for a consideration of Rs. 5030 Million in cash.

The DIGILINK Business had sales of about Rs.1640 million for the Financial Year ended 31<sup>st</sup> March, 2011 and sold on a slump sale basis to Schneider as a going concern. The Transaction would primarily include the transfer of the "DIGILINK" brand and trademarks, DIGILINK passive products manufacturing facility at Goa, distribution network and the employees relating to the DIGILINK business. Smartlink has agreed to a noncompete clause for a period of 5 years for the passive range of networking products business. The Transaction received approval of the shareholders on 11<sup>th</sup> May, 2011.

The deal recognizes the value of DIGILINK's preeminent position in the structured cabling business including the strengths of the brand, the strong network, support and dedication of our distributors and last but not least, a well qualified, capable and motivated workforce. It also exemplifies Smartlink's huge capabilities of building big brand in a short time in India.

## Rationale for sale of DIGILINK Business

The decision to sell DIGILINK business was driven by the need to position Smartlink for future growth in an intensely competitive environment and by the need to align Smartlink's business with the most compelling market opportunities.

The financial and operational strengths will now enable Smartlink to accelerate growth in its other businesses and also explore other synergistic business opportunities. Smartlink is now well positioned to focus and further enhance its position in its other existing businesses, each of which provide a robust platform for future growth.

## A ROAD MAP FOR THE FUTURE

Smartlink has drawn up a road map that will focus on high potential verticals and the company will deploy significant resources to capture opportunities and make strategic investments to improve its competitiveness in the marketplace.

The company has recently launched the active range of products under the brand DIGISOL, which has become one of the fastest growing brands in the networking industry. Smartlink will explore opportunities for alliances, tie-ups and acquisitions in this space.

Yet another growth track will be provided by DIGILITE, the new brand of motherboards being introduced by the company. Smartlink will have a significant competitive edge with its cost effective manufacturing, its brand building expertise and strong distribution.

The service business DIGICARE which caters to several top global companies like Intel will continue to grow steadily and make its contribution to the Company's top and bottom lines. Going forward, Smartlink plans to make significant investments to scale up this business.

Smartlink's superior strategic positioning, entrepreneurial capabilities, its vast experience in brand building and its strong balance sheet will offer enormous advantage as it sets about the task of building the first truly global Indian brand in networking.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACIES

The Company has an adequate system of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets. The internal control system is supplemented by well-documented standard operating procedures, policies and guidelines and review carried out by the Company's external and independent Internal Audit firm.

All significant audit observations and follow-up actions thereon are reported by the Internal Auditors to the Audit Committee. Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening the Company's risk management policies and systems.

## RISK AND CONCERNS

The Company is subject to various risks and uncertainties which might affect its business operations and financial performance. The Company has implemented systems to identify risks, to assess them and to ensure that reasonable mitigation plans are in place. In addition to generic risks that affect all businesses, the Company has identified the following principal risks and uncertainties:

1. The networking solution industry is constantly evolving. Any steep changes in technology or rapid market acceptance of new technology solutions may reduce the Company's current products and solutions affecting the business operations and profitability.

The Company strives to remain at the forefront of developments in the networking and IT industry. The R&D and product teams continually review the market and work towards creating innovative products and solutions.

2. The market for the Company's products is highly competitive. The Company encounters competition from both international and domestic companies. The competitors include large, diversified companies as well as smaller companies.

Smartlink competes primarily on the basis of product specifications, quality, price, engineering, customer service and delivery time. The Company has good technical know-how and constantly working towards innovation in newer technologies. The Company has an extensive sales network and provides prompt after sales service. All these factors has enabled the Company to achieve rapid success with its DIGISOL brand products.

3. The Company distributes its products to customers primarily through a large, network of independent distributors, system integrators and value added resellers and is dependent on its channel network to ensure its products are delivered in a timely and cost-effective manner. Any loss of one or more key distributors or failure to renegotiate new distributor agreements could affect the business volumes and profitability.

Smartlink operates through 22 Distributors, 200 SIs, 1,000+ VAR's and 5,000 Resellers to distribute its products. The Company enjoys a close relationship with every member of the channel network and considers them as partners in progress. It conducts various training and support programs equip them better for their job as well as promotional events and performance reward programs to motivate them. The Company is always in direct touch with the 2nd and 3rd tiers of the channel hence the impact of changing any of the tier 1 partners also would be minimal.

## DISCLAIMER

Certain statements made in this report relating to the Company's objectives, projections, outlook, estimates, etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such estimates or projections etc., whether expressed or implied. Several factors including but not limited to economic conditions affecting demand and supply, government regulations and taxation, input prices, exchange rate fluctuation, etc., over which the Company does not have any direct control, could make a significant difference to the Company operations. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned to not place undue reliance on any forward looking statements. The MD&A should be read in conjunction with the Company's financial statements included herein and the notes thereto.



## Report on Corporate Governance

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

### 1. STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, consumers, dealers, lenders and ensuring high degree of regulatory compliances.

The Company also believes that its systems and procedures will enhance corporate performance and maximize shareholder's value in the long term.

### 2. BOARD OF DIRECTORS

#### a) Composition and Category of Directors

The present Board comprises of 7 members consisting of 1 Executive Director and 6 Non-Executive Directors out of which 5 are Independent Directors. The name and category of each Director is given below:

Name of the Director	Category
Mr. K. R. Naik	Executive Director & Promoter
Mr. Jangoo Dalal	Non- Executive Director
Mr. K.M. Gaonkar	Non-Executive and Independent
Mr. Pankaj Baliga	Non-Executive and Independent
Prof. R. T. Krishnan	Non-Executive and Independent
Mr. Pradeep Rane	Non-Executive and Independent
Mr. Dattaraj Salgaocar	Non-Executive and Independent

#### b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM)

Name of the Director	No. of Board Meetings Held	No. of Board Meetings attended	Attendance at last AGM
1. Mr. K. R. Naik	5	5	Present
2. Mr. Jangoo Dalal	5	3	Absent
3. Mr. K.M. Gaonkar	5	4	Present
4. Mr. Pankaj Baliga	5	5	Present
5. Prof. R. T. Krishnan	5	2	Present
6. Mr. Pradeep Rane	5	4	Absent
7. Mr. Dattaraj Salgaocar	5	1	Absent

#### c) Number of other Directorship and Chairmanship/ Membership of Committees of each Director in other Companies.

Name of Director	No. of Directorships in other Companies (excluding private/foreign Companies)	No. of Chairmanship/ Membership in other Board Committees*
Mr. K.R. Naik	Nil	Nil
Mr. K.M. Gaonkar	Nil	Nil
Mr. Dattaraj Salgaocar	Nil	Nil
Mr. Pankaj Baliga	Nil	Nil
Prof. R. T. Krishnan	1	Nil
Mr. Pradeep Rane	Nil	Nil
Mr. Jangoo Dalal	Nil	Nil

\* Committees considered are Audit Committee and Shareholders/ Investors Grievance Committee

#### d) Number of Board Meetings held and the dates of the Board Meeting

The gap between two Board Meetings did not exceed four months. Five Board Meetings were held during the Financial Year 2010-11 on the following dates:

May 12, 2010	January 31, 2011
July 23, 2010	March 31, 2011
October 22, 2010	

### 3. AUDIT COMMITTEE

#### a) Terms of Reference

The terms of reference stipulated by the Board to the Audit Committee and as contained under Clause 49 of the Listing Agreement, are as follows:

#### A. Powers of Audit Committee

- To investigate any activity within its terms of reference.
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

## B. Role of Audit Committee

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for payment of any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and the reasons for the same.
  - c) Major accounting entries involving estimates based on exercise of judgement by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with Listing and other Legal Requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in draft Audit Report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the Management, performance of the Statutory and Internal Auditors, and the adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure and frequency of the internal audit.
8. Discussion with Internal Auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, on the nature and scope of audit as well as, have post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

## b) Composition

The Audit Committee was reconstituted on October 22, 2010. The composition of the reconstituted Audit Committee is as under:

Mr. Pankaj Baliga<sup>#</sup> - *Chairman*

Prof. R. T. Krishnan<sup>@</sup>

Mr. K. M. Gaonkar

Mr. Pradeep Rane<sup>\*</sup>

effective from 22<sup>nd</sup> October, 2010:

<sup>#</sup> Mr. Pankaj Baliga was appointed as Chairman of the Audit Committee

<sup>@</sup> Prof. R. T. Krishnan resigned as the Chairman of the Audit Committee

<sup>\*</sup> Mr. Pradeep Rane was appointed as a member of the Audit Committee

The Company Secretary of the Company acts as the Secretary to the Audit Committee. All the Directors on the Committee are financially literate and Mr. K. M. Gaonkar has expertise in Finance.

## c) Meetings and Attendance during the year

Members	Meetings held	Meetings attended
Mr. Pankaj Baliga	4	4
Prof. R. T. Krishnan	4	2
Mr. K. M. Gaonkar	4	3
Mr. Pradeep Rane <sup>*</sup>	1	1

<sup>\*</sup> Since his appointment as a member.

- The Previous Chairman of the Audit Committee Prof. R. T. Krishnan was present at the previous Annual General Meeting of the Company.

#### 4. REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee on July 23, 2010.

##### Terms of Reference

The Remuneration Committee has been constituted for determining the remuneration for all Executive Directors including the Executive Chairman and any compensation payments, such as retirement benefits or stock options and also to determine principles, criteria and the basis of remuneration policy of the company and shall also recommend and monitor the level and structure of pay for senior management, i.e. one level below the Board.

##### Composition

- 1) Mr. Pradeep Rane - Chairman
- 2) Mr. Pankaj Baliga
- 3) Mr. K. M. Gaonkar

The Remuneration Committee meeting was held on 31<sup>st</sup> day of January, 2011 during the year.

The remuneration paid to the Directors for the year ended 31<sup>st</sup> March, 2011 is given below:

##### A) Remuneration to Directors

###### a) Executive Director:

Executive Director	Salary, contribution to P.F, perquisites & Commission
Mr. K.R. Naik Executive Chairman	Rs. 78,24,360/-

Salient features of terms of appointment;

Particulars	Mr. K. R. Naik
Salary	Rs.300,000/- to Rs.500,000/- per month
Perquisites	In addition to salary the perquisites shall be paid as approved by the shareholders at the annual general meeting held on 1 <sup>st</sup> September 2006.

Particulars	Mr. K. R. Naik
Commission	Nil (w.e.f. Financial Year 2010-11)
Variable/ Performance Pay	Nil.
Terms of appointment	Re-appointed for a period of five years with effect from December 26, 2006.
Notice Period	Either party may terminate the agreement by giving the other party three months notice in writing.
Severance fees	None.

###### b) Non-Executive Directors (as decided by the Board of Directors):

In accordance with the resolution passed at the Annual General Meeting held on 24<sup>th</sup> July, 2010 the shareholders approved the payment of commission not exceeding 1% of the net profits of the Company to Non-Executive Directors. For the financial year 2010-11 the Board has approved the payment of commission of Rs. 22,13,372/- to the eligible Non-Executive Directors based on their contribution and guidance of each Director as determined by the Board of Directors.

Details of commission and sitting fees paid to the Non Executive Directors for the period under review are as under:

Non-Executive Directors	Sitting Fees	Commission
Mr. K.M. Gaonkar	Rs. 160,000/-	Rs. 5,53,343/-
Mr. Pankaj Baliga	Rs. 200,000/-	Rs. 5,53,343/-
Prof. R. T. Krishnan	Rs. 80,000/-	Rs. 5,53,343/-
Mr. Pradeep Rane	Rs.115,000/-	Rs. 5,53,343/-
Mr. Jango Dalal	Rs. 60,000/-	Nil
Mr. Dattaraj Salgaocar	Rs. 20,000/-	Nil

### B) Details of other pecuniary relationship/transactions of Non-Executive Directors vis-à-vis the Company:

The Company has paid dividend to the following Non-Executive Directors

Name of the Non-Executive Director	Number of Shares held	Amount of Dividend Paid during the year 2010-2011 (Amt in Rs.)
Mr. K. M. Gaonkar	101,500	Rs. 253,750/-
Mr. Dattaraj Salgaocar	30,000	Rs. 75,000/-
Mr. Pankaj Baliga	Nil	Nil
Prof. R.T. Krishnan	Nil	Nil
Mr. Pradeep Rane	Nil	Nil
Mr. Jangoo Dalal	60,000	Rs. 150,000/-

### 5. SHAREHOLDER'S/INVESTOR'S GRIEVANCE COMMITTEE

#### Terms of Reference

The Investor's Grievance Committee has been constituted to deal with the redressal of investors' complaints relating to transfer of shares, non-receipt of Annual Report, etc.,

#### Composition

Mr. Pankaj Baliga - Chairman

Mr. K. R. Naik

Mr. K. M. Gaonkar

The Investors Grievance Committee meeting was held on 31<sup>st</sup> January, 2011 during the year.

Name and Designation of Compliance Officer -

Mr. K. G. Prabhu, Company Secretary

During the year, the Company had received 31 complaints from the shareholders and the same were attended and resolved to the satisfaction of the shareholders.

### 6. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

Location	Date	Time
L-7, Verna Electronic City, Verna Plateau, Verna, Goa-403722	August 29, 2008	05.00 p.m.
L-7, Verna Electronic City, Verna Plateau, Verna, Goa-403722	September 23, 2009	05.00 p.m.
L-7, Verna Electronic City, Verna Plateau, Verna, Goa-403722	July 24, 2010	11.00 a.m.

Whether Special Resolutions passed:	Yes
Special Resolutions passed by the company at the last Annual General Meeting are as under;	
a) Increase in payment of remuneration to the Non-Executive Directors of the Company by way of commission in accordance with the provisions of section 198, 309 and all other applicable provisions of the Companies Act, 1956, a sum not exceeding 1% of the net profit as computed under the provisions of section 349 of the Companies Act, 1956.	
Special Resolutions passed by the company at its Annual General Meeting held on 23 <sup>rd</sup> September, 2009 are as under;	
a) Appointment of Ms. Arati K. Naik, daughter of Shri. K. R. Naik, Executive Chairman of the Company to hold an office of profit in the Company as Business Development Manager – Global Markets.	
b) De-Listing of the Equity Shares of the Company from the Bangalore Stock Exchange Limited (BgSE).	
Extraordinary General Meetings (EGM)	
# Pursuant to the Order dated 24 <sup>th</sup> November, 2008 passed by the Hon'ble High Court of Bombay at Goa in the Application No. 43 of 2008, a meeting of the shareholders was convened on 29 <sup>th</sup> December, 2008 for approving the Demerger of the Company. As required by the law, the poll was conducted at the Meeting and the resolution pertaining to approval of Scheme of Arrangement was passed with requisite majority.	

#### a) Details of Ordinary Resolution passed through Postal Ballot

Type of Meeting	Postal Ballot
Name of Scrutinizer for conducting Postal Ballot	Mr Shivaram Bhat, Practising Company Secretary, Goa
Date of declaration of results	May 11, 2011
Valid votes in favour of the Resolution (%)	99.78%
Items of Ordinary Resolution passed through Postal Ballot	Under Section 293 (1) (a) of the Companies Act, 1956 (the "Act") and Section 192 A of the Act read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 to convey,

	transfer, assign, deliver or otherwise dispose of the structured cabling business carried out under the brand name “Digilink” (the “Digilink Business”) together with its respective assets and liabilities, as a going concern on a slump sale basis, for a consideration of not less than Rs. 503 crores on a cash and debt free basis to Schneider Electric India Private Limited.
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b) Are proposed to be conducted through postal ballot	No
Brief Procedure for Postal Ballot:	- N.A

## 7. DISCLOSURES

- a. Disclosure on materially significant related party transactions, i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.
- Details of the transactions entered into with related parties have been disclosed in the financial statements. None of these have had any potential conflict with the interest of the Company.
- b. Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

SEBI in exercise of powers conferred in terms of Section 19 of SEBI Act, 1992 read with Section 11, 11B of the SEBI Act, 1992 and Regulation 5 (1) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, has vide its order dated 21<sup>st</sup> August, 2007 directed the Company not to buy, sell or deal in securities, in any manner, directly or indirectly, for a period of one month w.e.f. 21<sup>st</sup> August, 2007.

The Company had filed an appeal against the above Order passed by SEBI before Securities Appellate Tribunal (SAT). The SAT had granted an interim stay of the said order. On 14th July, 2008, the SAT has passed its final order allowing the said appeal and setting aside the SEBI Order dated 21<sup>st</sup> August, 2007.

SEBI had filed a criminal case, in the Metropolitan Magistrate court, in June, 2006 under Section 77A(4) read with Section 621 for alleged contravention of provisions of the Companies Act, 1956 for failing to complete the process of buy -back of shares as provided under the said section. The Company had filed an application in the Hon’ble High Court of Bombay and the Hon’ble High Court has passed Orders staying the proceedings in the Metropolitan Magistrate court. The stay is continuing. The Company does not expect any liability on this account at this stage.

- c. The Company has complied with all mandatory requirements as stated in Clause 49 of the Listing Agreement.

## 8. MEANS OF COMMUNICATION

Quarterly Results	Published in Newspapers
Newspapers normally published in	Business Standard, The Times of India, (in English) and Gomantak (in Marathi)
Whether it also displays official News releases	Yes
Any website, where displayed	<a href="http://www.digisol.com">www.digisol.com</a>
The presentations made to Institutional Investors or to the Analysts	N. A.
Whether MD & A is a part of Annual report or not	Yes.

## 9. GENERAL SHAREHOLDER INFORMATION:

### 1. Annual General Meeting

**Date:** 30<sup>th</sup> July, 2011

**Time:** 11.00 am

**Venue:** L-7, Verna Industrial Estate, Verna, Salcete, Goa - 403722.

### 2. Financial Year

Particulars	Date
First Quarter Results	On or before August 14, 2011
Second Quarter Results	On or before November 14, 2011
Third Quarter Results	On or before February 14, 2012
Audited Annual Results	On or before May 30, 2012

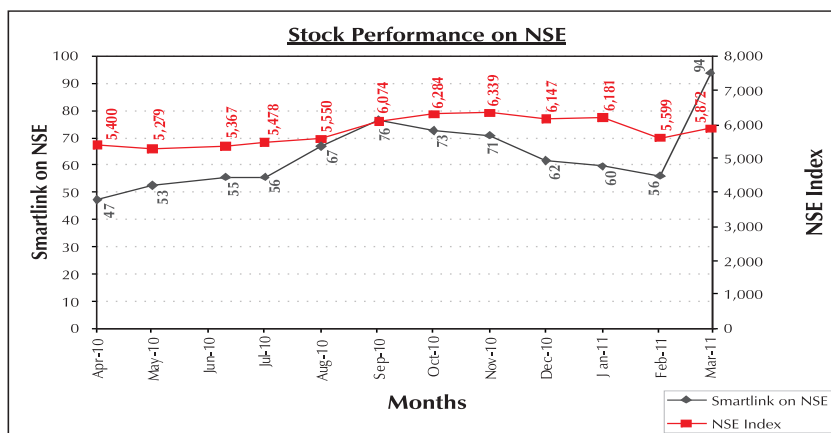
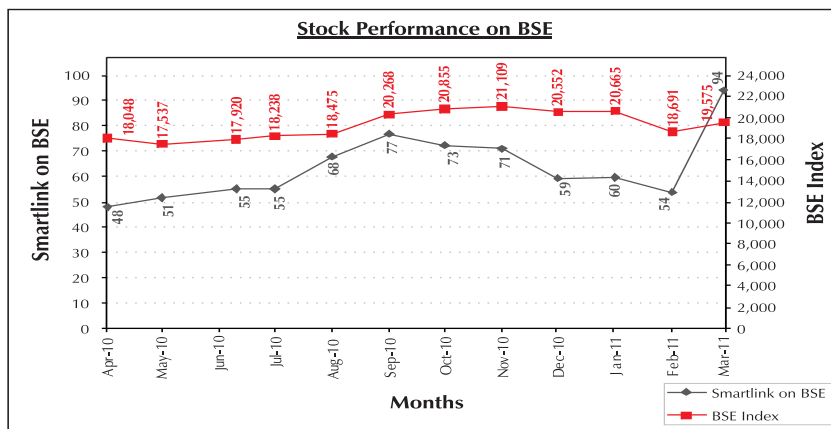
### 3. Dates of Book Closure

13<sup>th</sup> July, 2011 to 20<sup>th</sup> July, 2011 (both days inclusive)

**4. Market Price Data:**

Stock High/Low price during each month in the last financial year 2010-2011 and Performance in comparison to broad-based indices viz., BSE Sensex and NSE Nifty;

Month	Smartlink on BSE		BSE Index		Smartlink on NSE		NSE Index	
	High Rs.	Low Rs.	High	Low	High Rs.	Low Rs.	High	Low
Apr-10	48.00	42.10	18,047.86	17,276.80	47.40	41.10	5399.65	5160.90
May-10	51.40	43.85	17,536.86	15,960.15	52.70	43.10	5278.70	4786.45
Jun-10	55.35	47.05	17,919.62	16,318.39	55.45	47.50	5366.75	4961.05
Jul-10	55.30	50.00	18,237.56	17,395.58	55.50	50.10	5477.50	5225.60
Aug-10	68.00	50.50	18,475.27	17,819.99	67.00	50.15	5549.80	5348.90
Sep-10	76.70	58.10	20,267.98	18,027.12	76.40	60.60	6073.50	5403.05
Oct-10	72.50	62.20	20,854.55	19,768.96	72.50	62.10	6284.10	5937.10
Nov-10	70.90	50.00	21,108.64	18,954.82	70.70	50.10	6338.50	5690.35
Dec-10	59.45	46.25	20,552.03	19,074.57	61.80	46.05	6147.30	5721.15
Jan-11	59.90	50.00	20,664.80	18,038.48	59.75	49.05	6181.05	5416.65
Feb-11	54.00	42.00	18,690.97	17,295.62	55.90	46.60	5599.25	5177.70
Mar-11	93.95	51.00	19,575.16	17,792.17	93.75	51.70	5872.00	5348.20





### 5. Dividend Payment Date

The Dividend payment will be made to all eligible shareholders on or after 1<sup>st</sup> August, 2011.

### 6. Listing on Stock Exchanges

The shares of the Company are listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Limited w. e. f. April 11, 2001. The listing fees for the financial year 2011-12 to both these Stock Exchanges have been paid.

### 7. Stock Code

The Stock Exchange	Stock Code
Bombay Stock Exchange Limited	532419
National Stock Exchange of India Limited	SMARTLINK
ISIN Number for NSDL/CDSL	INE 178C01020

### 8. Registrar and Share Transfer Agents

Karvy Computershare Private Limited  
Unit : Smartlink Network Systems Ltd.  
Plot No.17 to 24 Vittalrao Nagar  
Madhapur, Hyderabad - 500 081  
Phone No. 040-44655000  
Fax No: 040-23420814  
Email: einward.ris@karvy.com

### 9. Share Transfer System

Trading in equity shares of the Company is permitted only in dematerialized form.

Shares sent for transfer in physical form are normally processed within a period of 15 days of receipt of the documents, provided all documents are valid and complete in all respects.

### 10. Distribution of Shareholding

#### Distribution of Shareholding as on 31<sup>st</sup> March, 2011

Sr. No.	Category (Shares) From To	Number of Shareholders	No. of Shares	% To Equity Capital
1	1 - 500	14,518	1,953,209	6.51
2	501 - 1000	883	736,014	2.45
3	1001 - 2000	410	650,032	2.17
4	2001 - 3000	165	430,406	1.44
5	3001 - 4000	60	211,354	0.70
6	4001 - 5000	71	336,601	1.12
7	5001 - 10000	96	730,149	2.43
8	10001 and above	130	24,957,085	83.18
	<b>TOTAL</b>	<b>16,333</b>	<b>30,004,850</b>	<b>100.00</b>

### 11. Shareholding Pattern as on 31<sup>st</sup> March, 2011

Sr. No.	Category Of Shareholders	Total Holdings	Holdings in %
1	Shareholding of Promoter and Promoter Group	20,202,020	67.33
2	Financial Institutions / Banks	2,030	0.01
3	Bodies Corporate	1,722,240	5.74
4	Individuals	6,662,610	22.21
5	Clearing Members	778,304	2.59
6	Trusts	339,375	1.13
7	NRI's	298,271	0.99
	<b>Total</b>	<b>30,004,850</b>	<b>100.00</b>

### 12. Dematerialization of Shares and Liquidity

The total number of shares in dematerialized form as on 31.03.2011 is 29,976,134 representing 99.90% of the total number of shares of the Company.

The equity shares of the Company are actively traded on BSE and NSE.

### 13. Plant Location

L-5 & L-7, Verna Industrial Estate  
Verna Salcete, Goa-403722.

### 14. Address for Correspondence

Shareholders Correspondence should be addressed to:

The Company Secretary, <b>Smartlink Network Systems Limited</b> L-7, Verna Industrial Estate, Verna Salcete, Goa - 403722 Phone Nos: 0832-2885450/451 Fax Nos: 0832-2783395 E-mail: Company.Secretary@digisol.com	<b>Karvy Computershare Private Limited</b> <b>Unit : Smartlink Network Systems Limited</b> Registrars & Share Transfer Agents, Plot No.17 to 24 Vittalrao Nagar Madhapur, Hyderabad - 500 081 Phone No: 040-44655000 Fax No: 040-23420814 Email: einward.ris@karvy.com
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### 15. Whistle Blower Policy

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism of reporting illegal or unethical behaviour. The Company has a whistle blower policy wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the Audit Committee. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

### 16. Compliance with Mandatory & Non Mandatory requirements

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. The company has not adopted the non-mandatory requirements except for Whistle Blower Policy and setting up of Remuneration Committee as specified in Annexure - ID of the Clause 49 of the Listing Agreement .

**For and on behalf of the Board**

**Mumbai**

Dated: 23<sup>rd</sup> May, 2011

**K.R. NAIK**

Executive Chairman

## Certificate On Compliance With Clause 49 Of The Listing Agreement By Smartlink Network Systems Limited

To

The Members of **SMARTLINK NETWORK SYSTEMS LIMITED**:

I have examined the compliance by **SMARTLINK NETWORK SYSTEMS LIMITED** ('the Company') of the requirements under Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges, for the year ended 31st March 2011.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures adopted, and implementation thereof, by the Company for ensuring compliance with the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements of the Company.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Dr K R Chandratre**

Practising Company Secretary

FCS No. 1370

Certificate of Practice No. 5144

May 23, 2011

## Declaration regarding compliance by Board Members and Senior Management Personnel with the Company's Code of Conduct

I confirm that the Company has in respect of the financial year ended 31<sup>st</sup> March, 2011, received from all the members of the Senior Management of the Company and of the Board, a declaration of compliance with the code of conduct as provided under clause 49 of the listing agreement.

Mumbai

Dated: 23<sup>rd</sup> May, 2011

**For Smartlink Network Systems Limited**

**K. R. Naik**

Executive Chairman

# Auditors' Report

## TO THE MEMBERS OF SMARTLINK NETWORK SYSTEMS LIMITED

1. We have audited the attached Balance sheet of Smartlink Network Systems Limited ("the Company"), as at 31st March, 2011, the Profit and Loss Account and the Cash-Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (CARO) issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance sheet, the Profit and Loss Account and the Cash-Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance sheet, the Profit and Loss Account and the Cash-Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i.) in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2011;
    - ii.) in the case of the Profit and Loss account, of the profit of the Company for the year ended on that date; and
    - iii.) in the case of the Cash-flow statement, of the cash-flows of the Company for the year ended on that date.
5. On the basis of written representations received from the Directors, as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Registration no. 117366W

Mumbai  
Dated : 23<sup>rd</sup> May, 2011

**A. B. Jani**  
Partner  
Membership no. 46488

## Annexure to the Auditors' Report

### Re: Smartlink Network Systems Limited

#### (Referred to in paragraph 3 of our report of even date)

- i.) Having regard to the nature of the Company's business/activities, clauses (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable.
- ii.) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
  - (b) A major portion of fixed assets have been physically verified by the Management during the year. In our opinion, the frequency of verification of fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. Material discrepancies noticed on such verification have been properly dealt with in the books of accounts;
  - (c) The fixed assets disposed off/written off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii.) In respect of its inventory:
  - (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable;
  - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
  - (c) The Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification.
- iv.) The Company has not granted or taken any loans, to/from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the requirements of clauses (iii) (a) to (iii) (g) of paragraph 4 of the Order are not applicable to the Company.
- v.) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods/services. During the course of our audit, we have not observed any continuing failure, to correct major weakness in such internal control system.
- vi.) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vii.) The Company has not accepted deposits from the public.
- viii.) In our opinion, the internal audit function carried out during the year, by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- ix.) We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 with regard to the networking products of the Company and are of the opinion that *prima facie*, the prescribed accounts and records have generally been made and maintained/ are under preparation. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- x.) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of disputes are given below:

## Annexure to the Auditors' Report

Name of the Statute	Nature of dues	Forum where dispute is pending	Financial Year to which amount relates	Amount (Rs.)
Customs Act, 1962	Customs Duty	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	1,514,221/- (Net of Rs. 900,000/- of pre-deposit)
Customs Act, 1962	Penalty (Customs Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	2,414,221
Central Excise Act, 1944	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	3,226,176/- (Net of Rs. 1,400,000/- of pre-deposit)
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	4,626,176/-
Central Excise Act, 1944	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2001-2002, 2002-2003 2003-2004, 2004-2005	24,089,496/- (Net of Rs. 10,000,000/- of pre-deposit)
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2001-2002, 2002-2003 2003-2004, 2004-2005	34,089,496/-
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	100,000/-
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	702,041/-

- xi.) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the year under report and in the immediately preceding financial year.
- xii.) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
- xiii.) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiv.) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xv.) In our opinion and according to the information and explanations given to us, the Company has not obtained any term loan during the year and hence the question of commenting on application thereof does not arise.
- xvi.) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have not been used during the year for long term investment
- xvii.) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- xviii.) The Company has not issued debentures; hence the question of creating security or charge in respect thereof does not arise.
- xix.) During the year, the Company has not raised money by public issue.
- xx.) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company, was noticed or reported during the year.

**For Deloitte Haskins & Sells**

Chartered Accountants  
Registration no. 117366W

Mumbai  
Dated : 23<sup>rd</sup> May, 2011

**A. B. Jani**  
Partner  
Membership no. 46488



## Balance Sheet as at 31st March, 2011

	Schedule No.	Rupees	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' funds</b>				
Share capital	1	60,009,700		60,009,700
Employee stock options outstanding		13,715,716		14,419,613
Reserves and Surplus	2	1,623,444,209		1,528,345,924
			1,697,169,625	1,602,775,237
<b>Deferred tax liability (net)</b>			9,955,806	19,391,323
	<b>Total</b>		<b>1,707,125,431</b>	<b>1,622,166,560</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed assets</b>				
Gross block	3	938,794,712		923,379,673
Less: Depreciation/Amortisation		561,648,074		504,148,555
Net block		377,146,638		419,231,118
Capital work-in-progress		839,159		13,848,958
			377,985,797	433,080,076
<b>Investments</b>	4		899,744,692	926,472,415
<b>Current assets, loans and advances</b>				
Inventories	5	222,619,697		171,321,865
Sundry debtors	6	353,675,081		268,117,645
Cash and bank balances	7	130,422,298		53,366,316
Loans and advances	8	82,157,828		116,247,654
		788,874,904		609,053,480
<b>Less: Current liabilities and provisions</b>				
Current liabilities	9	272,143,777		238,857,074
Provisions	10	87,336,185		107,582,337
		359,479,962		346,439,411
<b>Net current assets</b>			429,394,942	262,614,069
	<b>Total</b>		<b>1,707,125,431</b>	<b>1,622,166,560</b>
Significant Accounting Policies and Notes on Accounts	15			

As per our attached report of even date

For **Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated: 23rd May, 2011

**For and on behalf of the Board**

**K. R. Naik**  
Executive Chairman

**K. G. Prabhu**  
Company Secretary

Mumbai, dated: 23rd May, 2011

**K. M. Gaonkar**  
Director

**Bhushan Prabhu**  
Chief Financial Officer

## Profit and Loss Account for the year ended 31st March, 2011

	Schedule No.	Rupees	Year Ended 31st March, 2011 Rupees	Year Ended 31st March, 2010 Rupees
<b>INCOME</b>				
Turnover (gross)			1,857,901,197	1,556,320,679
Less: Excise duty			83,044,416	63,152,519
Turnover (net)			1,774,856,781	1,493,168,160
Sale of services			127,996,055	168,520,695
Other income	11		101,060,510	104,130,092
Increase in stocks of finished goods and work-in-progress	12		42,654,358	47,949,056
<b>Total</b>			<b>2,046,567,704</b>	<b>1,813,768,003</b>
<b>EXPENDITURE</b>				
Manufacturing and Other expenses	13		884,812,695	781,148,021
Purchase of traded goods			871,724,610	665,596,208
Excise duty (Refer Note no.17 of Schedule 15)			(808,128)	5,321,954
Depreciation/Amortisation		76,532,335		118,740,042
Less: Transferred from Revaluation Reserve		769,228		769,228
Interest and finance charges	14		75,763,107	117,970,814
			2,216,715	1,026,217
<b>Total</b>			<b>1,833,708,999</b>	<b>1,571,063,214</b>
<b>PROFIT BEFORE TAX</b>			<b>212,858,705</b>	<b>242,704,789</b>
<b>(Loss) from Continuing Operations before tax (Refer note 3 of Schedule 15)</b>		(108,934,260)		(162,359,877)
<b>Provision for tax</b>				
- Current tax [including Rs. 205,421/-; (previous year, Rs. 142,510/-) for wealth-tax]		(52,494,579)		(51,485,379)
- Deferred tax		(8,527,728)		(20,080,858)
Short provision for taxes in respect of earlier years		1,476,514		1,775,870
<b>(Loss) from Continuing Operations after tax</b>			<b>(49,388,467)</b>	<b>(92,569,510)</b>
<b>Profit from Discontinuing Operations before tax (Refer note 3 of Schedule 15)</b>		321,792,965		405,064,666
<b>Provision for tax</b>				
- Current tax		107,700,000		136,485,379
- Deferred tax		(907,789)		(2,639,917)
<b>Profit from Discontinuing Operations after tax</b>			<b>215,000,754</b>	<b>271,219,204</b>
<b>PROFIT AFTER TAX</b>			<b>165,612,287</b>	<b>178,649,694</b>
Balance brought forward from previous year			1,033,259,297	959,945,273
<b>Amount available for appropriation</b>			<b>1,198,871,584</b>	<b>1,138,594,967</b>
<b>APPROPRIATIONS</b>				
Proposed dividend			60,009,700	75,012,125
Corporate dividend tax			9,735,074	12,458,576
Transferred to General reserve			16,561,229	17,864,969
Balance carried to Balance sheet			<b>1,112,565,581</b>	<b>1,033,259,297</b>
<b>Earnings per share (Face value of Rs. 2/- per share) Basic and Diluted (Refer Note no. 10 of Schedule 15)</b>			<b>5.52</b>	<b>5.95</b>
Significant Accounting Policies and Notes on Accounts	15			

As per our attached report of even date

For **Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated: 23rd May, 2011

For and on behalf of the Board

**K. R. Naik**  
Executive Chairman

**K. M. Gaonkar**  
Director

**K. G. Prabhu**  
Company Secretary

**Bhushan Prabhu**  
Chief Financial Officer

Mumbai, dated: 23rd May, 2011

## Cash flow statement for the year ended 31st March, 2011

	Year Ended 31st March, 2011 Rupees	Year Ended 31st March, 2010 Rupees
<b>A. Cash flows from operating activities</b>		
Profit before tax	212,858,705	242,704,789
Adjustments for:		
Depreciation	75,763,107	117,970,814
Loss on sale of fixed assets (net)	2,425,524	1,346,553
Loss on sale of long term investments (non-trade)	-	1,697,884
(Profit) on sale of current investment (non-trade) (net)	(3,014,889)	(33,788)
Provision for diminution in value of current investments (non-trade)	389,130	293,641
Provision for Gratuity	2,438,814	1,003,864
Provision for doubtful debts and advances	1,200,957	699,992
Bad debts written off	5,970,463	4,505,374
Advances written off	-	2,796,168
Sundry balances written off	-	749,711
Unrealised exchange differences	(1,886,615)	(2,463,021)
Provision for doubtful debts and advances written back	(2,901,304)	(6,466,759)
Provision for Compensated absences written back	(162,942)	(392,489)
Provision for diminution in value of current investments (non-trade) (written back)	(293,641)	(7,880)
Provision for diminution in value of long term investments (non-trade) (written back)	-	(2,315,200)
Sundry balances written back	(331,004)	(262,555)
Interest and finance charges	2,216,715	1,026,217
Interest income	(1,392,978)	(6,230,413)
Dividend income	(49,804,095)	(33,957,592)
<b>Operating profit before working capital changes</b>	<b>243,475,947</b>	<b>322,665,310</b>
(Increase) in trade receivables	(89,035,227)	(14,693,846)
(Increase) in inventories	(51,297,832)	(40,436,092)
Decrease in loans and advances	15,323,719	46,474,864
Increase in trade and other payables	34,818,559	43,897,421
<b>Cash generated from Operations</b>	<b>153,285,166</b>	<b>357,907,657</b>
<b>Direct taxes paid</b>	<b>(46,666,003)</b>	<b>(75,731,992)</b>
<b>Net cash from operating activities</b>	<b>106,619,163</b>	<b>282,175,665</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(24,682,425)	(37,421,002)
Purchase of investments	(4,195,413,974)	(3,556,277,241)
Investment in a subsidiary	(18,208,800)	-
Sale of fixed assets	818,845	3,596,383
Sale of investments	4,243,269,897	3,283,277,041
Dividend received	49,804,095	33,957,592
Interest received	4,183,928	2,987,338
<b>Net cash (used in)/from investing activities</b>	<b>59,771,566</b>	<b>(269,879,889)</b>
<b>C. Cash flows from financing activities</b>		
Dividend paid (including dividend distribution tax)	(87,470,701)	(35,104,174)
Interest paid	(2,216,715)	(1,026,217)
<b>Net cash (used in)/financing activities</b>	<b>(89,687,416)</b>	<b>(36,130,391)</b>
<b>Net (Decrease)/increase in cash and cash equivalents</b>	<b>76,703,313</b>	<b>(23,834,615)</b>
Cash and cash equivalents at the beginning of the year	52,593,303	76,427,918
Cash and cash equivalents at the end of the year	129,296,616	52,593,303
<b>Notes:</b>		
1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Schedule 7 of the accounts.		
2. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year and are considered as part of investing activity.		
3. Balances with banks in current accounts include restricted bank balance on account of dividends aggregating to Rs.1,817,563/- (previous year Rs.2,653,888/-).		
4. Also refer note 3 of Schedule 15.		
5. Reconciliation of cash and cash equivalents		
As per Cash-flow statement	129,296,616	52,593,303
Add: Unrealised exchange differences	233,636	254,773
Add: Interest accrued on bank deposits	892,046	518,240
As per Balance sheet - Schedule 7	130,422,298	53,366,316

As per our attached report of even date

 For **Deloitte Haskins & Sells**  
 Chartered Accountants

**A. B. Jani**  
 Partner

Mumbai, dated: 23rd May, 2011

For and on behalf of the Board

**K. R. Naik**  
 Executive Chairman

**K. G. Prabhu**  
 Company Secretary

Mumbai, dated: 23rd May, 2011

**K. M. Gaonkar**  
 Director

**Bhushan Prabhu**  
 Chief Financial Officer

## Schedules forming part of the Accounts

	Rupees	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
35,000,000 Equity Shares of Rs.2/- each		70,000,000	70,000,000
<b>Issued, subscribed and paid-up</b>			
30,004,850 Equity Shares of Rs.2/- each fully paid-up		60,009,700	60,009,700
<b>Total</b>		<b>60,009,700</b>	<b>60,009,700</b>
<b>SCHEDULE 2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>Capital reserve</b>			
<b>State government subsidy</b>			
As per last Balance sheet		2,500,000	2,500,000
<b>Securities premium account</b>			
As per last Balance sheet		278,614,693	278,614,693
<b>General reserve</b>			
As per last Balance sheet	173,711,498		155,846,529
Add: Transferred from Profit and Loss account	16,561,229		17,864,969
		190,272,727	173,711,498
<b>Revaluation reserve</b>			
As per last Balance sheet	40,260,436		41,029,664
Less: Transferred to Profit and Loss Account	769,228		769,228
		39,491,208	40,260,436
Surplus in Profit and Loss account		1,112,565,581	1,033,259,297
<b>Total</b>		<b>1,623,444,209</b>	<b>1,528,345,924</b>

## Schedules forming part of the Accounts

### SCHEDULE 3 Fixed Assets

(Rupees)

Nature of assets	Gross block			Depreciation/Amortisation			Net block		
	As at 1 April, 2010	Additions	Deductions	Adjustment	As at 31 March, 2011	Upto 31 March, 2010	For the year	As at 31 March, 2011	As at 31 March, 2010
Tangible assets :									
Freehold Land	-	-	-	8,791,000	8,791,000	-	-	8,791,000	-
Leasehold land/ premises	24,513,538	-	-	15,722,538	(8,791,000)	9,031,864	1,349,993	1,590,857	14,131,681
Buildings	280,403,470	-	-	280,403,470	-	53,375,012	6,856,867	60,231,879	220,171,591
Plant and machinery	241,871,523	21,685,701	17,808,162	245,749,062	-	152,012,775	33,472,408	170,774,606	74,974,456
Electrical installations	44,219,732	51,790	-	44,271,522	-	18,895,385	7,179,323	26,074,708	18,196,814
Furniture, fittings and office equipment	57,693,777	2,595,776	2,007,479	58,282,074	-	37,857,875	6,495,569	42,469,028	15,813,046
Air conditioners	35,700,381	445,522	-	36,145,903	-	18,364,470	7,692,999	26,057,469	10,088,434
Motor vehicles	14,085,094	10,312,029	1,948,243	22,448,880	-	6,489,717	3,549,650	8,114,845	14,334,035
Computers	158,174,057	2,601,406	513,301	160,262,162	-	146,585,902	5,352,168	151,424,769	8,837,393
	856,661,572	37,692,224	22,277,185	872,076,611	-	442,613,000	71,948,977	495,529,161	376,547,450
Intangible assets :									
Computer Software	38,819,996	-	-	38,819,996	-	33,637,450	4,583,358	38,220,808	599,188
Goodwill	27,898,105	-	-	27,898,105	-	27,898,105	-	27,898,105	-
Total	923,379,673	37,692,224	22,277,185	938,794,712	-	504,148,555	76,532,335	561,648,074	377,146,638
Previous year	910,389,345	30,741,716	17,751,388	923,379,673	-	398,216,965	118,740,042	504,148,555	419,231,118
Capital work-in-progress (capital advances)								839,159	13,848,958
								377,985,797	433,080,076

#### Notes

- Leasehold land/ premises include:
  - Plots of land of the aggregate gross value of Rs.14,036,538/- (previous year Rs.14,036,538/-), taken on lease from the Goa Industrial Development Corporation (GIDC) for an initial period of thirty years with an option to extend the lease to ninety/ ninety-five years.
  - Land and premises of the aggregate gross value of Rs.1,686,000/- (previous year Rs.1,686,000/-), taken on lease from Maharashtra Industrial Development Corporation (MIDC) for an initial period of ten years with an option to extend the lease to ninety-five years.  
Title deeds in respect of the above are in the names of GIDC and MIDC respectively.
- Freehold land include :  
Plot of land of the aggregate gross value of Rs.8,791,000/- (previous year Rs.8,791,000/-), taken on lease cum sale basis from the Karnataka Industrial Areas Development Board (KIADB) for a period of six years. As per the terms of the lease agreement, the Company during the year has executed a Deed of Sale to which the plot of land has been transferred to the Company. Accordingly, the land has been re-classified as Freehold from the earlier classification of Leasehold.
- Goodwill represents the difference between the net assets of erstwhile Virtual Computers Private Limited taken over pursuant to scheme of amalgamation and the cost of shares held by the Company in the erstwhile Virtual Computers Private Limited.



## Schedules forming part of the Accounts

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
<b>SCHEDULE 4</b>		
<b>INVESTMENTS</b>		
<b>(a) Long-term investments (at cost) (unquoted) (Non-trade)</b>		
<b>In Subsidiary Company</b>		
1(Previous year, NIL) Equity Shares of AED 1,500,000 each fully paid-up in Digilink Middle East (FZE)	18,208,800	-
<b>Total long-term investments (A)</b>	<b>18,208,800</b>	<b>-</b>
<b>(b) Current investments (non-trade)</b>		
<b>(At lower of cost and fair value)</b>		
<b>(i) In Mutual funds Units (unquoted)</b>		
Face value of all units, Rs.10/-		
375,202.4590 (Previous year, NIL) Units in ICICI Prudential Mutual Fund - Floating Rate Plan D Fund - Daily Dividend Plan	37,528,878	-
NIL (Previous year, 2,309,991.7110) Units in ICICI Prudential Mutual Fund - Blended Plan - A Dividend	-	24,002,200
NIL (Previous year, 5,501,631.3480) Units in ICICI Prudential Banking and PSU Debt Fund Daily Dividend	-	55,095,734
NIL (Previous year, 10,000,000.000) Units in ICICI Prudential Interval Fund II Quarterly Interval Plan -Dividend	-	100,000,000
NIL (Previous year, 13,601,350.7780) Units in ICICI Prudential Ultra Short Term Plan-Super Premium- Daily Dividend	-	136,299,136
1,458,385.4370 (Previous year, NIL) Units in Birla Sun Life Ultra Short Term Fund Institutional-Plan - Daily Dividend	14,591,876	-
1,229,252.1660 (Previous year, NIL) Units in Birla Sun Life Medium Term Plan Institutional-Weekly Dividend - Reinvestment	12,325,241	-
3,000,000.0040 (Previous year, NIL) Units in Birla Sun Life Short Term FMP Series 4 Dividend -Payout	30,000,000	-
9,112,722.0030 (Previous year, NIL) Units in Birla Sun Life Short Term Opportunities Fund Institutional-Weekly Dividend	91,194,776	-
NIL (Previous year, 1,199,504.5910) units in Birla Sun Life - Short Term Fund - IP- Daily Dividend Reinvestment	-	12,001,643
NIL (Previous year, 1,000,082.9660) Units in Birla Sun Life-Interval Income Fund Institutional-Quarterly-Series 1 -Dividend	-	10,000,829
NIL (Previous year, 3,198,620.5730) Units in Birla Sun Life Floating Rate Fund Long Term- Institutional-Weekly Dividend	-	32,075,925
NIL (Previous year, 4,687,844.4890) Units in Birla Sun Life Institutional - Daily Dividend -Reinvestment	-	46,910,322
1,000,138.9420 (Previous year, NIL) Units in Kotak Quarterly Interval Plan Series 10 - Dividend	10,001,389	-
2,390,509.0950 (Previous year, NIL) Units in Kotak-Quarterly Interval Plan FMP Series 5 Dividend -Payout	23,914,034	-
5,137,510.9752 (Previous year, 13,024,469.0700) Units in Kotak Floater Long Term Daily dividend	51,785,083	131,284,043
NIL (Previous year, 1,005,517.6290) Units in Kotak Quarterly Interval Plan Series 6 - Dividend	-	10,055,200

## Schedules forming part of the Accounts

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
1,000,000.0000 (Previous year, NIL) Units in UTI - Fixed Income Interval Fund - Series II Quarterly Interval Plan IV-Institutional Dividend Plan.	10,000,000	-
NIL (Previous year, 50,267.1550) Units in UTI-Floating Rate Fund STP-Institutional-Daily Dividend	-	50,305,896
NIL (Previous year, 104,263.2210) Units in Reliance Money Manager Fund Institutional Option- Daily Dividend Plan	-	104,381,708
NIL (Previous year, 6,997,410.9580) units in Reliance Mutual Fund Monthly Interval Fund-Series II-Institutional-Dividend Plan	-	70,000,000
6,072,034.0400 (Previous year, NIL) Units in JM Money Manager Fund Regular Plan - Daily dividend	60,788,347	-
5,000,000.0000 (Previous year, NIL) Units in JM Fixed Maturity Fund Series XIX Plan A - Growth Plan	50,000,000	-
5,000,000.0000 (Previous year, NIL) Units in JM Fixed Maturity Fund Series XIX Plan B-Dividend Plan	50,000,000	-
2,405,418.4130 (Previous year, NIL) Units in JM Short Term Fund Institutional Plan- Dividend	25,151,344	-
1,385,531.4720 (Previous year, 1,385,531.4720) Units in JM Arbitrage Advantage Fund Dividend	14,001,627	14,001,627
NIL (Previous year, 4,846,325.8070) Units in JM Money Manager Fund Super Plus Plan-Daily Dividend	-	48,488,944
NIL (Previous year, 1,497,531.6880) units in Principal Money Manager Fund Institutional Dividend Payout Daily	-	15,012,306
1,967,959.7070 (Previous year, NIL) Units in Religare Credit Opportunities Fund Institutional Monthly dividend	19,987,976	-
3,000,000.0000 (Previous year, NIL) Units in Religare Fixed Maturity Plan Series IV Plan B-( 6 mths) dividend	30,000,000	-
5,212,279.7680 (Previous year, NIL) Units in Religare Medium Term bond Fund Monthly dividend	52,290,348	-
4,000,000.0000 (Previous year, NIL) Units in Religare Fixed Maturity Plan-Series V Plan F (91 days) - Dividend	40,000,000	-
NIL (Previous year, 1,214,474.7820) Units in Religare Arbitrage Fund Dividend	-	12,439,473
NIL (Previous year, 2,230,107.4380) Units in Religare Active Income Fund Institutional - Monthly Dividend	-	22,301,125
30,412.2700 (Previous year, 4712.4440) Units in Templeton India Short Term Income Retail Plan - Weekly Dividend Reinvestment	32,737,630	5,060,164
3,374,430.4870 (Previous year, NIL) Units in Templeton India Income Opportunities Fund Dividend	35,447,665	-
3,107,304.5390 (Previous year, NIL) Units in Templeton India Ultra Short Bond Fund Super Institutional Plan-Daily dividend	31,109,090	-
1,480,829.9750 (Previous year, NIL) Units in Templeton India Low Duration Fund Monthly Dividend Reinvestment	15,186,377	-
4,705,729.2060 (Previous year, 1,695,741.4370) Units in Larsen & Toubro Select Income Fund -Flexi Debt Institutional - Dividend	48,130,560	17,049,781
1,037,036.2850 (Previous year, NIL) Units in DWS Treasury Fund Cash-Regular Plan-Daily Dividend- Reinvestment	10,410,911	-
2,007,717.344 (Previous year, NIL) Units in Axis Short Term Fund-Institutional Regular Dividend Reinvestment	20,134,679	-
2,006,677.9145 (Previous year, NIL) Units in JPMorgan India Short Term Income Fund Weekly Dividend- Reinvest	20,111,276	-
4,509,591.4780 (Previous year, NIL) Units in IDBI Ultra Short Term Fund Daily Dividend - Reinvestment	45,095,915	-
	<b>881,925,022</b>	<b>916,766,056</b>

## Schedules forming part of the Accounts

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
<b>(ii) In Debentures (unquoted)</b>		
NIL (Previous year 10) Debentures of Rs.1,000,000 each, fully paid-up in Citicorp Finance (India) Limited	-	10,000,000
	-	10,000,000
	881,925,022	926,766,056
Less: Provision	389,130	293,641
<b>Total current investments (B)</b>	<b>881,535,892</b>	<b>926,472,415</b>
<b>Total (A+B)</b>	<b>899,744,692</b>	<b>926,472,415</b>
<b>Notes :</b>		
1. Aggregate value of investments (net of provision)		
Unquoted	899,744,692	926,472,415
Quoted	-	-
Market value	-	-
2. Investments purchased and sold during the year - Refer Note no. 12 of schedule 15.		
<b>SCHEDULE 5</b>		
<b>INVENTORIES</b>		
Stores, spares and packing materials	1,153,093	6,366,100
<b>Stock-in-trade</b>		
Raw materials and components	62,180,279	48,323,798
Work-in-progress	9,560,166	8,226,943
Finished goods		
- Manufactured	49,470,370	56,897,233
- Traded	100,255,789	51,507,791
	221,466,604	164,955,765
<b>Total</b>	<b>222,619,697</b>	<b>171,321,865</b>
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS (Unsecured unless otherwise stated)</b>		
Debts outstanding for a period exceeding six months *	2,986,405	8,958,103
Other debts *	352,698,977	263,659,512
	355,685,382	272,617,615
Less: Provision	2,010,301	4,499,970
<b>Total</b>	<b>353,675,081</b>	<b>268,117,645</b>
<b>Notes</b>		
(a) Considered good	353,675,081	268,117,645
Considered doubtful	2,010,301	4,499,970
	355,685,382	272,617,615
(b) * Includes amounts in respect of which the Company holds deposits	11,478,936	11,119,200

## Schedules forming part of the Accounts

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	386,465	330,756
<b>Balances with scheduled banks</b>		
- In current/cash credit accounts (Refer note 19 of Schedule 15)	58,809,536	23,873,083
- In Exchange Earner's Foreign Currency Account (equivalent to US\$ 396,467.04 (Previous year US\$ 573,905.48 )	17,704,251	25,768,356
- In deposit accounts (includes interest accrued Rs.892,046/-, (Previous year Rs.518,240/-)	53,522,046	3,394,121
	<u>130,035,833</u>	<u>53,035,560</u>
<b>Total</b>	<b><u>130,422,298</u></b>	<b><u>53,366,316</u></b>
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES (unsecured)</b>		
Interest accrued on investment	-	3,164,756
Advances recoverable in cash or in kind or for value to be received (Refer Note 2 (f) of schedule 15)	62,696,747	88,795,021
Balance with Central Excise and Customs	8,148,138	560,810
Deposits	8,648,753	5,461,526
Advance payment of taxes (net of provisions)	4,798,663	19,610,692
	<u>84,292,301</u>	<u>117,592,805</u>
Less: Provision	2,134,473	1,345,151
<b>Total</b>	<b><u>82,157,828</u></b>	<b><u>116,247,654</u></b>
<b>Notes</b>		
1. Loans and advances in the nature of loans due from: (in accordance with clause 32 of Listing Agreement)		
Others (interest-free loans with no repayment schedules) Employees	235,496	88,647
Maximum balance outstanding at any time during the year	381,796	306,043
<b>SCHEDULE 9</b>		
<b>CURRENT LIABILITIES</b>		
<b>Sundry creditors</b>		
- Total outstanding dues of micro enterprises and small enterprises (Refer note no. 8 of Schedule 15)	1,943,309	462,462
- Total outstanding dues of creditors other than micro enterprises and small enterprises	243,137,297	189,168,673
	<u>245,080,606</u>	<u>189,631,135</u>
Temporary overdrawn bank balance as per books	2,906,130	13,925,181
Other liabilities	24,157,041	35,300,758
<b>Total</b>	<b><u>272,143,777</u></b>	<b><u>238,857,074</u></b>

## Schedules forming part of the Accounts

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
<b>SCHEDULE 10</b>		
<b>PROVISIONS</b>		
For Income tax [including Rs. 205,421/- (net) (Previous year Rs. 142,510/- (net)) for Wealth tax] (net of advance tax)	4,424,033	9,220,130
Proposed dividend	60,009,700	75,012,125
Corporate dividend tax	9,735,074	12,458,576
For Gratuity	8,893,863	6,455,049
For Leave encashment	4,273,515	4,436,457
<b>Total</b>	<b><u>87,336,185</u></b>	<b><u>107,582,337</u></b>
	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 11</b>		
<b>OTHER INCOME</b>		
<b>Interest</b>		
(Tax deducted at source Rs. 29,625/- ; previous year, Rs. 354,336/-)		
- On fixed deposits with banks	463,357	491,138
- On debentures (Current investment, non-trade)	-	3,164,756
- On delayed payments, etc.	929,621	2,574,519
	<u>1,392,978</u>	<u>6,230,413</u>
Rent Income	2,659,520	4,818,013
Duty drawback	868,557	3,943,976
Dividend on current investments (non-trade)	49,804,095	33,957,592
Profit on sale of current investments (non-trade)	3,014,889	33,788
Provision for doubtful debts and advances written back	2,901,304	6,466,759
Provision for diminution in value of current investments (non-trade) written back	293,641	7,880
Provision for diminution in value of long term investments (non-trade) written back	-	2,315,200
Recovery of bad debts	767,251	1,091,359
Sundry balances written back	331,004	262,555
Exchange differences (net)	18,809,210	14,837,615
Logistic support services and management fees	14,128,997	19,829,111
Miscellaneous income	6,089,064	10,335,831
<b>Total</b>	<b><u>101,060,510</u></b>	<b><u>104,130,092</u></b>



## Schedules forming part of the Accounts

	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 12</b>		
<b>INCREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROGRESS</b>		
<b>Stock as at 31st March, 2011</b>		
Finished goods		
- Manufactured	49,470,370	56,897,233
- Traded	100,255,789	51,507,791
Work-in-progress	9,560,166	8,226,943
	159,286,325	116,631,967
<b>Less: Stock as at 1st April, 2010</b>		
Finished goods		
- Manufactured	56,897,233	19,521,337
- Traded	51,507,791	17,685,858
Work-in-progress	8,226,943	31,475,716
	116,631,967	68,682,911
<b>Increase</b>	<b>42,654,358</b>	<b>47,949,056</b>

	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 13</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	382,238,822	305,923,644
<b>Payments to and provisions for employees:</b>		
Salaries, wages and bonus	234,334,709	238,904,099
Contribution to provident and other funds	6,356,741	5,649,316
Staff welfare expenses	13,511,963	13,747,199
Gratuity	4,441,134	1,003,864
Leave encashment	990,930	415,511
	259,635,477	259,719,989
Stores, spares and packing material consumed	9,891,789	27,763,902
Power and fuel	12,396,042	15,098,667
Rent	13,279,532	10,301,150
Operating lease rentals	1,334,624	1,345,178
Rates and taxes	293,518	2,707,848
Insurance	4,002,867	5,412,624
<b>Repairs and maintenance</b>		
Buildings	113,416	7,492,661
Machinery	4,807,145	4,050,265
Others	9,208,196	8,040,159
	14,128,757	19,583,085

## Schedules forming part of the Accounts

	Current Year Rupees	Previous Year Rupees
Travelling and conveyance expenses	22,121,131	24,298,617
Communication expenses	9,472,146	9,475,014
Legal and Professional fees	24,875,453	18,826,210
Advertisement and sales development expenses	85,005,696	30,866,481
Commission on sales	951,074	3,095,170
Loss on sale/write-off of fixed assets (net)	2,425,524	1,346,553
Loss on sale of long term investments (non-trade)	-	1,697,884
Provision for diminution in value of current investments (non-trade)	389,130	293,641
Provision for doubtful debts and advances	1,200,957	699,992
Advances written off	-	2,796,168
Sundry balances written off	-	749,711
Donations	930,588	524,135
Directors sitting fees	635,000	895,000
Bad debts written off	5,970,463	4,505,374
Miscellaneous expenses *	33,634,105	33,221,984
<b>Total</b>	<b>884,812,695</b>	<b>781,148,021</b>

\* Includes Printing and stationery, Bank charges etc.

### SCHEDULE 14

#### INTEREST AND FINANCE CHARGES

On security deposits from dealers	918,315	904,011
On short term loans from banks	404,196	-
On cash credit accounts etc.	3,605	46,535
On others	890,599	75,671
<b>Total</b>	<b>2,216,715</b>	<b>1,026,217</b>

# Schedules forming part of the Accounts

## SCHEDULE 15

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation of financial statements

The accounts have been prepared to comply in all material aspect with applicable principles in India, the Accounting Standards notified in the Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act, 1956.

##### Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

##### Fixed assets

##### i) Tangible assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any

##### ii) Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Computer software is amortised over a period of four years, which is as estimated by management (except ERP software which is amortised over a period of three years). Goodwill arising on amalgamation is amortised over a period of five years.

##### Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on "Leases", (AS 19). Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

##### Depreciation

- i. Cost of leasehold land/premises and structural improvements are amortized over the period of lease.
- ii. Depreciation on Buildings is provided on the straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- iii. Depreciation on the following assets is provided over their useful life which is as estimated by management:

Asset Description	Useful life
Motor vehicles	5 years
Computer Software tools	5 years
Computers & Computer software	4 years
Plant and machinery	8 years
Electrical installations	10 years
Furniture, fittings and office equipment	8 years
Air conditioners	10 years
Moulds	1 year

##### Impairment loss

At the end of each accounting period, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". An impairment loss is charged to the Profit and Loss account in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

##### Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline.

##### Inventories

Items of inventory are valued at lower of cost and net realisable value, on the following basis:

- (i) Raw materials, components, stores and spares - on weighted average basis.
- (ii) Work-in-progress and finished goods - on the basis of absorption costing comprising of direct costs and overheads other than financial charges.

##### Revenue recognition

Revenue (income) is recognized when no significant uncertainty as to determination/realization exists.

## Schedules forming part of the Accounts

### Employees Benefits

- i. Provident fund liability is determined on the basis of contribution as required under the statute/rules.
- ii. Contribution to gratuity fund payable to the Trust formed for this purpose is charged to revenue in accordance with the scheme framed by the Life Insurance Corporation of India. Provision is made for the difference between the liability as per the actuarial valuation obtained at the end of the year and the fund balance with the Life Insurance Corporation of India.
- iii. Provision for Leave encashment is made on actuarial valuation done as at the year-end.

### Foreign currency transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of contract.

Gains/losses on settlement of transactions arising on cancellation/renewal of forward exchange contracts are recognised as income or expense.

At the year-end, monetary items denominated in foreign currency and the relevant foreign exchange contracts are reported using the closing rate of exchange. Exchange difference arising thereon and on realization/payments of foreign exchange are accounted as income or expenses in the relevant year.

### Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### Government grants

Grants relating to specific fixed assets are disclosed as a deduction from the value of the concerned assets. Grants related to revenue are credited to the Profit and Loss account. Grants in the nature of promoter's contribution are treated as Capital reserve.

### Taxes on income

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income-tax Act, 1961.

Deferred Income tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future income will be available except that deferred tax assets in case there are unabsorbed depreciation and losses are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same (refer note 9 below)

### Contingent Liability

These, if any, are disclosed in the notes on accounts. Provision is made in the accounts if it becomes probable that an out flow of resources embodying economic benefits will be required to settle the obligation.

## B NOTES ON ACCOUNTS

	Current Year Rupees	Previous Year Rupees
1. Estimated amount of contracts remaining to be executed on capital account and not provided for	231,960	7,289,807
<b>2. Contingent liabilities, in respect of</b>		
a. Show cause notices received from customs authorities relating to imports made in earlier years. The Company has filed replies to these notices and does not expect any demand to materialize	242,015,325	242,733,026
b. Disputed demands of custom duty pending before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2,414,221	2,414,221
c. Disputed penalty demands of Custom Authorities with respect to (b) above, pending before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2,412,221	2,412,221
d. Disputed demand of excise duty in connection with valuation of products manufactured by the Company pending before CESTAT	38,715,672	38,715,672
e. Disputed penalty demands of Excise Authorities with regard to (d) above, pending before the CESTAT	39,517,713	39,517,713

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### B NOTES ON ACCOUNTS

	Current Year Rupees	Previous Year Rupees
f. Custom duty paid under protest The raw material/trading material/software imported by the Company are subjected to different rates of customs duty based on classification under respective Tariff Head. The Customs department has objected to the classifications adopted by the Company for certain items and has demanded additional duty for the same. The Company has paid such differential duty under protest, which is included under Advances recoverable in cash or in kind or for value to be received in Schedule 8, pending resolution of the dispute.	4,487,728	4,487,728
g. SEBI had filed a criminal case, in the Metropolitan Magistrate court, in June, 2006 under Section 77A(4) r/w Section 621 for alleged contravention of provisions of the Companies Act, 1956 for failing to complete the process of buy back of shares as provided under the said section. The Company had filed an application in the Hon'ble High Court of Bombay and the Hon'ble High Court has passed Orders staying the proceedings in the Metropolitan Magistrate court. The stay is continuing. The Company does not expect any liability on this account at this stage.		

3. The Board of Directors of the Company at its meeting held on 31st March, 2011 approved the sale of the Structured cabling business comprising of manufacture, sale and marketing of structured cabling products carried under the brand name "DIGILINK", hereinafter referred to as ("Digilink Business"), to Schneider Electric India Private Limited ("Schneider"). The Digilink Business together with its respective assets and liabilities, shall be transferred to Schneider on a 'slump sale' basis as a going concern, for a cash consideration of Rs. 5,030,000,000/- to be adjusted for any net working capital changes as on the closing date.

In this connection, the Company has signed the Business Transfer Agreement dated 31st March, 2011 and has obtained the shareholder's approval subsequent to the year-end.

Subsequently, the Company has received the aforesaid amount on 13th May, 2011, the closing date, and has taken steps to complete the transaction with Schneider.

Accordingly, the 'DIGILINK' business is considered as a 'discontinued operation' in terms of Accounting Standard 24 on 'Discontinued Operations' (AS 24).

The disclosures required under AS 24 are as under:

a. Details of revenue and expenses and assets and liabilities of continued and discontinued operations :

Particulars	(In Rupees)			(In Rupees)		
	2011			2010		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Turnover (net)	201,146,783	1,573,709,998	1,774,856,781	180,527,239	1,312,640,921	1,493,168,160
Sale of services	127,996,055	-	127,996,055	168,520,695	-	168,520,695
Other Income	78,667,120	22,393,390	101,060,510	76,436,342	27,693,750	104,130,092
Increase/(Decrease) in stocks of finished goods and work-in-progress	34,502,030	8,152,328	42,654,358	(2,662,868)	50,611,924	47,949,056
Total Income	442,311,988	1,604,255,716	2,046,567,704	422,821,408	1,390,946,595	1,813,768,003
Total Expenditure	551,246,248	1,282,462,751	1,833,708,999	585,181,286	985,881,928	1,571,063,214
Profit/(Loss) before tax	(108,934,260)	321,792,965	212,858,705	(162,359,878)	405,064,667	242,704,789
Provision for taxation	(59,545,793)	106,792,211	47,246,418	(69,790,367)	133,845,462	64,055,095
Profit/(Loss) after tax	(49,388,467)	215,000,754	165,612,287	(92,569,511)	271,219,205	178,649,694
Assets	1,549,789,808	516,815,585	2,066,605,393	1,553,561,522	415,044,449	1,968,605,971
Liabilities	201,515,154	167,920,614	369,435,768	244,242,412	121,588,322	365,830,734



## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

b. Cash flow from continuing and discontinuing operations :

Particulars	(In Rupees)			(In Rupees)		
	2011			2010		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Net cash from operating activities	(183,691,399)	290,310,562	106,619,163	(148,036,459)	430,212,124	282,175,665
Net cash (used in) / from investing activities	40,653,870	19,117,696	59,771,566	(273,817,396)	3,937,507	(269,879,889)
Net cash (used in) financing activities	(90,605,731)	918,315	(89,687,416)	(36,130,391)	-	(36,130,391)

4. a. Managerial Remuneration under section 198 of the Companies Act, 1956, paid to the Executive Chairman and Managing director

	Current Year Rupees	Previous Year Rupees
Salary	7,815,000	9,292,544
Contribution to Provident fund	9,360	9,360
Perquisites *	-	-
Commission	-	1,254,100
<b>Total</b>	<b>7,824,360</b>	<b>10,556,004</b>

**Notes:**

The above remuneration excludes Contribution to gratuity fund as the incremental liability has been accounted for the Company as a whole.

\* Does not include monetary value of non cash perquisites as per Income-tax Act,1961.

	Current Year Rupees	Previous Year Rupees
b. Commission payable to Independent Directors	2,213,372	1,254,100
c. Computation of net profit as per section 349 read with section 309(5) and section 198 of the Companies Act, 1956		
Profit before tax as per Profit and Loss account	212,858,705	242,704,789
Less: Profit on sale of current investments (non-trade) (net)	3,014,889	33,788
Provision for diminution in value of current investments (non-trade) written back	293,641	7,880
Provision for diminution in value of long term investments (non-trade) written back	-	2,315,200
Provision for doubtful debts and advances written back	2,901,304	6,466,759
	206,648,871	233,881,162
Add: Managerial remuneration	10,037,732	10,556,004
Directors sitting fees	635,000	895,000
Provision for doubtful debts and advances	1,200,957	699,992
Advances written off	-	2,796,168
Provision for diminution in value of current investments (non-trade)	389,130	293,641
Loss on sale/write-off of fixed assets (net)	2,425,524	-
Loss on sale of long term investments (non-trade)	-	1,697,884
<b>Total</b>	<b>221,337,214</b>	<b>250,819,851</b>
Commission on above restricted to Percentage	2,213,372 1%	2,508,200 1%

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### 5. Payment to Auditors (net of service tax credit)

	Current Year Rupees	Previous Year Rupees
a. As Auditors	1,350,000	1,000,000
b. In any other manner - certification	-	20,000
c. For Expenses	21,217	69,606
<b>Total</b>	<b>1,371,217</b>	<b>1,089,606</b>

##### 6. A The disclosure as required under AS-15 regarding the Company's defined benefit plans is as follows:

	Current Year Rupees	Previous Year Rupees
<b>I. Reconciliation of opening and closing balances of Defined Benefit obligation</b>	<b>Gratuity (Funded)</b>	<b>Gratuity (Funded)</b>
Defined Benefit obligation at beginning of the year	10,646,662	9,767,582
Current Service Cost	2,376,619	2,186,163
Interest Cost	775,111	666,423
Past service cost - (vested benefit)	2,642,850	-
Actuarial (gain) / loss	(862,308)	(1,479,004)
Benefits paid	(1,915,548)	(494,502)
Settlement cost	-	-
Defined Benefit obligation at year-end	13,663,386	10,646,662
<b>II. Reconciliation of opening and closing balances of fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	4,191,613	4,316,397
Expected return on plan assets	387,502	372,327
Actuarial gain/(loss)	103,636	(2,609)
Employer contribution	2,002,320	-
Benefits paid	(1,915,548)	(494,502)
Settlement cost	-	-
Fair value of plan assets at year end	4,769,523	4,191,613
<b>III. Reconciliation of fair value of assets and obligations</b>		
Present value of obligation as at 31st March, 2011	13,663,386	10,646,662
Fair value of plan assets as at 31st March, 2011	4,769,523	4,191,613
Amount recognized in Balance Sheet	(8,893,863)	(6,455,049)
<b>IV. Expense recognized during the year (Under the head "Payments to and Provisions for Employees" - Refer Schedule 13)</b>		
Current Service Cost	2,376,619	2,186,163
Interest Cost	775,111	666,423
Past service cost - (vested benefit)	2,642,850	-
Expected return on plan assets	(387,502)	(372,327)
Actuarial (gain)/loss	(965,944)	(1,476,395)
Net Cost	4,441,134	1,003,864

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rupees		Previous Year Rupees	
V. Actuarial assumptions	<b>Gratuity (Funded)</b>		<b>Gratuity (Funded)</b>	
Discount rate (per annum)	8.00%		7.00%	
Expected rate of return on plan assets (per annum)	9.15%		9.15%	
Rate of escalation in salary (per annum)	6.00%		6.00%	
VI. The assumptions of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment.				
VII. The amounts of the present value of the obligation, fair value of the plan assets, surplus or deficit in the plan, experience adjustments arising on plan liabilities and plan assets are furnished below.				
<b>Experience Adjustment</b>	<b>31-Mar-11</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>
On plan liabilities	(862,308)	(1,479,004)	(265,576)	1,449,974
On plan assets	103,636	(2,609)	32,041	152,637
Present value of benefit obligation	13,663,386	10,646,662	9,767,582	10,565,032
Fair value of plan assets	4,769,523	4,191,613	4,316,397	4,782,438
Excess of (obligation over plan assets)/ plan assets over obligation	(8,893,863)	(6,455,049)	(5,451,185)	(5,782,594)
VIII. The contribution expected to be made by the company during the FY 2011-12 have not been ascertained				
IX. The plan assets are managed by the Gratuity trust formed by the Company. The management of funds is entrusted with Life Insurance Corporation of India. The details of investments made by them are not available.				
<b>B The disclosure as required under AS-15 regarding the Company's defined contribution plans is as follows:</b>				
i) Contribution to provident fund Rs. 4,479,749/- (previous year Rs. 4,565,723/-).				

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

7. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI to the Companies Act, 1956:

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Quantity (nos.)	Value (Rs.)	Quantity (nos.)	Value (Rs.)
<b>a. Turnover</b>				
Networking products (including excise duty)	7,551,034	1,857,901,197	5,667,777	1,556,320,679
Sale of Services		127,996,055		168,520,695
<b>Total</b>		<b>1,985,897,252</b>		<b>1,724,841,374</b>
<b>b. Raw materials and components consumed</b>				
Enclosure, Parts and Racking Equipment	27,324,710	54,807,165	19,702,972	40,045,384
Cables, Cable Assembly and Acc.	27,119,432	76,708,779	22,006,379	75,216,969
Connectors	6,047,356	37,210,741	12,575,917	35,375,127
Intergrated circuits	399,503	19,707,484	5,987,067	17,797,960
PCBs	2,230,314	11,936,060	1,938,347	12,964,259
Others		181,868,593		124,523,945
<b>Total</b>		<b>382,238,822</b>		<b>305,923,644</b>
<b>c. Manufactured goods</b> (networking products)				
Opening stock	1,463,442	56,897,233	698,197	19,521,338
Closing stock	795,196	49,470,370	1,463,442	56,897,233
<b>d. Traded goods</b> (networking products)				
Opening stock	38,526	51,507,791	36,070	17,685,857
Closing stock	42,411	100,255,789	38,526	51,507,791
Purchases	309,963	871,724,610	245,385	665,596,208
<b>e. Installed capacity</b> (networking products) (on double shift basis; as certified by the management)	5,313,100		5,313,100	
<b>f. Actual production</b> (networking products) (includes production done by third parties on job work basis)	6,576,710		6,190,093	

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees	% age to total consumption	Rupees	% age to total consumption
<b>g. Raw materials consumed</b>				
Imported	246,447,418	64.47	198,230,428	64.80
Indigenous	135,791,404	35.53	107,693,216	35.20
<b>Total</b>	<b>382,238,822</b>	<b>100.00</b>	<b>305,923,644</b>	<b>100.00</b>
<b>h. Stores, spares and packing materials consumed</b>				
Imported	2,953,241	29.86	10,724,195	38.63
Indigenous	6,938,548	70.14	17,039,707	61.37
<b>Total</b>	<b>9,891,789</b>	<b>100.00</b>	<b>27,763,902</b>	<b>100.00</b>

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rupees	Previous Year Rupees
<b>i) C.I.F. value of goods imported</b>		
Raw materials and components	250,766,228	186,317,000
Stores, spares and packing materials	4,706,058	13,441,543
Capital goods	17,009,672	6,115,635
Traded goods	816,880,639	658,008,688
<b>j. Expenditure in foreign currency</b>		
Travelling expenses	1,621,959	3,776,989
Professional fees	8,192,492	3,241,175
Advertisement, Sales development, reimbursement of expenses, etc.	2,650,005	4,637,690
<b>k. Earnings in foreign exchange</b>		
F.O.B. value of exports	56,489,430	122,139,221
Income from services	39,491,015	21,110,163
<b>l. Amount remitted during the year in foreign currency on account of dividend</b>		
Number of non-resident shareholders	3	3
Number of shares held by them on which dividend is due	150,000	150,000
Year to which dividend relates	2009-10	2008-09
Amount of dividend remitted (Rupees)	300,000	150,000

Other than the above, the Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividend have been made by non- resident shareholders

**8. The disclosures under the Micro, Small and Medium Enterprises Development Act, 2006 have been made on the basis of confirmations received from suppliers regarding their status under the said Act;**

	Current Year Rupees	Previous Year Rupees
Outstanding principal amount and interest as on 31st March 2011		
- Principal Amount	1,920,190	445,005
- Interest due thereon	-	-
Amount of interest paid along with the amounts of payment made beyond the appointed day	-	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid)	23,119	17,457
The amount of interest accrued and remaining unpaid at the end of each accounting year.	71,578	48,459
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid for the purpose of disallowance as a deductible expenditure under section 23 of the said Act	-	-

**9. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:**

	Current Year Rupees	Previous Year Rupees
<b>a. Deferred Tax Liability</b>		
Depreciation	(15,572,734)	(24,503,987)
<b>Total</b>	<b>(15,572,734)</b>	<b>(24,503,987)</b>
<b>b. Deferred Tax Asset</b>		
Provision for doubtful debts and advances	1,344,772	1,494,778
Others	4,272,156	3,617,886
<b>Total</b>	<b>5,616,928</b>	<b>5,112,664</b>
Deferred Tax Liability (net)	(9,955,806)	(19,391,323)



## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

10. Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year, as under:

	Current Year	Previous Year
Profit attributable to Equity Shareholders (Rupees)	165,612,287	178,649,694
Weighted average number of equity shares outstanding during the year	30,004,850	30,004,850
Basic/diluted earnings per share including exceptional items (Rupees) (net of tax)	5.52	5.95
Nominal value per share (Rupees)	2.00	2.00

11. a) The year-end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amount receivable in foreign currency on account of the following:

	Current Year		Previous Year	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Debtors	USD 506,778	22,597,220	USD 779,716 AED 33,074	35,413,568
Loans and advances	USD 4,511	191,594	USD 2,811	122,235

Amount payable in foreign currency on account of the following:

	Current Year		Previous Year	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Creditors	USD 3,185,375		USD 2,626,893	118,389,333
	EUR 49	142,269,099	EUR 49	
	SGD 5,605		JPY 849,858	

b) Amount of exchange differences included in the Profit and Loss account

	Current Year Rupees	Previous Year Rupees
Exchange gain	25,396,383	23,494,452
Exchange loss	6,587,173	8,656,837

12 Investments purchased and sold during the year

	Current year		Previous year	
	Units	Rupees	Units	Rupees
<b>1 In Equity Shares</b>				
Coal India Limited	27,005	6,616,225	-	-
MOIL Limited	5,667	2,128,875	-	-
<b>2 Units in Mutual funds</b>				
<b>Units In Prudential ICICI Mutual Fund</b>				
Prudential ICICI Institutional Liquid Plan-Super Ins Plan:Dly Dividend	5,944,827.941	594,616,883	38,085,892.565	555,306,203
ICICI Prudential Banking and PSU Debt Fund Daily Dividend	26,573.690	266,737	-	-
ICICI Prudential Ultra Short Term Plan Premium Plus Daily Dividend	5,075,971.395	50,866,372	21,754,836.140	218,005,213
ICICI Prudential Ultra Short Term Plan Super Premium Daily Dividend	33,249,116.311	333,210,850	-	-
ICICI Prudential Institutional Short Term Plan-DR-Fortnightly Dividend	4,287,239.786	51,665,017	-	-
ICICI Prudential Interval Fund Monthly Interval Plan I-Institutional Dividend	2,524,519.441	25,245,194	-	-
ICICI Prudential Floating Rate Plan D-Daily Div-Reinvest Dividend	199,954.007	20,000,000	6,636,624.121	66,380,178
ICICI Prudential -Flexible Income Plan Dividend - Daily Dividend	-	-	34,641,104.957	560,749,534

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current year		Previous year	
	Units	Rupees	Units	Rupees
<b>Units in Birla Sun Life Mutual Fund</b>				
Birla Cash Plus Institutional Premium-Daily Div Reinvest	20,215,183.899	202,546,035	25,889,092.695	260,120,480
BSL Interval Income Fund-INSTL-Quarterly-Series 1 -Dividend	12,278.790	122,788	-	-
BSL Floating Rate Fund -Long Term-INSTL-Weekly Dividend	8,318,175.792	83,238,273	-	-
Birla Sun Life Savings Fund - Instl. - Daily Dividend -Reinvestment	5,886,518.380	58,905,212	18,787,224.686	188,000,000
Birla Sun Life Ultra Short Term Fund - IP - Daily Dividend	9,694,503.702	96,998,357	-	-
Birla Sunlife Floating Rate Long Term Institutional Plan- Daily Dividend	5,093,083.169	50,930,832	-	-
Birla Sun Life Short Term Fund - IP - Daily Dividend	-	-	5,087,381.552	50,901,796
<b>Units in Kotak Mahindra Mutual Fund</b>				
Kotak Quarterly Interval Plan - Series 8- Dividend Payout	1,999,960.000	20,000,000	-	-
Kotak Quarterly Interval Plan Series 6 - Dividend	5,687.572	56,876	-	-
Kotak Floater Long Term - Daily Dividend	3,924,823.799	39,561,439	-	-
Kotak Quarterly Interval Plan - Series 1- Dividend Payout	1,999,999.998	20,000,000	-	-
Kotak Liquid - Institutional Premium - Daily Dividend	3,894,927.493	47,627,563	11,245,782.056	137,514,548
Kotak Flexi Debt Scheme - Institutional - Daily Dividend	2,815,801.866	28,291,769	-	-
Kotak Floater Short Term Daily Dividend	1,714,180.357	17,340,991	-	-
<b>Units in Reliance Mutual Fund</b>				
Reliance Monthly Interval Fund -Series II-Institutional Div Plan	3,041,638.328	30,426,202	-	-
Reliance Money Manager Fund - Institutional Option- Daily Dividend Plan	115,028.074	115,185,837	185,785.235	185,996,366
Reliance Quarterly Interval Fund -Series III-Institutional Dividend Plan	2,998,950.367	30,000,000	-	-
Reliance Liquidity Fund-Daily Dividend-Reinvest	4,998,110.677	50,006,397	13,704,349.151	137,089,105
Reliance Medium Term Fund - Daily Dividend	4,703,664.957	80,413,386	4,388,277.185	75,019,793
Reliance Monthly Interval Fund -Series I-Institutional Dividend Plan	6,436,071.277	64,376,916	-	-
Reliance Quarterly Interval Fund -Series I-Institutional Dividend Plan	999,340.885	10,000,005	-	-
Reliance Liquid Fund-Cash Plan- Daily Dividend	8,491,770.073	94,611,056	1,346,402.570	15,000,944
<b>Units in UTI Mutual Fund</b>				
UTI Floating Rate Fund-STP-Institutional-Daily Dividend	10,063.383	10,071,138	-	-
UTI - Fixed Income Interval Fund - Series II - Quarterly Interval Plan VI - dividend - Payout	966,785.127	9,667,851	-	-
UTI Liquid Cash Plan Institutional Daily Income Option	-	-	49,050.105	50,003,919
<b>Units in JM Mutual fund</b>				
JM Money Manager Fund Super Plus Plan-Daily Dividend	967,962.540	9,684,756	-	-
JM Money Manager Fund Super Plan - Daily Dividend	17,875,593.432	178,966,866	-	-
JM High Liquidity Fund Institutional Plan - Daily Dividend	4,593,250.032	46,005,533	6,090,991.239	61,006,759
<b>Units in Principal Mutual Fund</b>				
Principal Money Manager Fund-Institutional Dividend Payout Daily-Dec 07	6,993.285	70,106	-	-
Principal Floating Rate Fund - FMP - IP - Daily Dividend	1,507,976.742	15,098,316	-	-
<b>Units in Religare Mutual Fund</b>				
Religare Liquid Fund - Institutional Daily Dividend	7,999,744.602	80,015,045	-	-
Religare Arbitrage Fund - Dividend	21,656.755	218,605	-	-
Religare Credit Opportunities Fund - Institutional Monthly dividend	2,780,365.707	28,046,210	-	-
Religare Active Income Fund Institutional - Monthly Dividend	7,481,023.523	74,987,840	-	-
Religare Overnight Fund - dividend	2,703,299.352	27,032,994	-	-
Religare Ultra Short Term Fund -Institutional-Daily Dividend	3,219,150.459	37,244,324	3,398,095.078	34,002,699
Religare Short Term Plan - Institutional Daily Dividend	-	-	2,207,110.712	22,191,836

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current year		Previous year	
	Units	Rupees	Units	Rupees
<b>Units in Templeton Mutual Fund</b>				
Templeton India Treasury Management Account - Regular Plan - Daily Dividend Reinvestment	22,153.257	33,503,259	3,306.395	5,000,393
Templeton India Short term Income Retail Plan - Weekly Dividend Reinvestment	1,804.447	1,943,304	-	-
Templeton India Income Opportunities Fund - Growth	1,529,689.656	16,001,319	-	-
Templeton India Treasury Management account Inst Plan-Dly Div-Reinvest	33,980.424	34,003,293	-	-
Templeton India Ultra Short Bond Fund Super Institutional Plan -Daily Dividend	2,996,524.032	30,000,000	-	-
<b>Units in Fidelity Mutual Fund</b>				
Fidelity Cash Fund (Institutional) - Daily Dividend	4,067,562.599	40,685,795	-	-
Fidelity FMP Series 2 - Plan A - Dividend	2,000,198.352	20,001,984	-	-
Fidelity FMP Series 3 - Plan C - Dividend	2,000,198.352	20,001,984	-	-
Fidelity FMP Series 4 - Plan C - Dividend	2,030,388.530	20,303,885	-	-
Fidelity Ultra Short Term Debt Fund Retail - Weekly Dividend Option	-	-	21,979.872	219,835
<b>Units in L&amp;T Mutual Fund</b>				
L & T Liquid Institutional Daily Dividend Reinvestment Plan	3,954,314.994	40,003,037	1,680,613.372	17,001,589
L & T Select Income Fund - Flexi Debt Institutional - Dividend	3,266,250.154	33,154,565	-	-
L & T FMP-I (June 91D A) - Dividend Payout	3,000,000.000	30,000,000	-	-
L & T FMP-I (July 5M A) - Dividend Payout	1,000,000.000	10,000,000	-	-
L&T FMP - I (August91D A) - Dividend	1,000,000.000	10,000,000	-	-
L & T FMP-I (September 91D A) - Dividend Payout	3,000,000.000	30,000,000	-	-
L&T FMP - II (November 91D A) - Dividend	1,000,000.000	10,000,000	-	-
L & T FMP -II (December 91 DA) - Dividend Payout	3,000,000.000	30,000,000	-	-
L & T Freedom Income STP Inst - Daily Dividend Reinvestment Plan	996,688.842	10,121,575	-	-
<b>Units in DWS Mutual Fund</b>				
DWS Insta Cash Plus Fund-Regular Plan-Daily Dividend - Reinvest	970,894.575	10,001,185	-	-
<b>Units in Baroda Pioneer Mutual Fund</b>				
Baroda Pioneer Liquid Fund - Daily Dividend Plan	795,274.705	8,000,941	-	-
Baroda Pioneer Short Term bond fund-Fortnightly Dividend - Reinvestment	806,769.218	8,067,721	-	-
Baroda Pioneer Treasury Advantage Fund - Regular- Weekly Dividend	810,987.253	8,119,142	-	-
<b>Units in Axis Mutual Fund</b>				
Axis Liquid Fund-Institutional Daily Div-Reinvest	20,017.932	20,019,301	-	-
<b>Units in JP Morgan Mutual Fund</b>				
JPMorgan India Liquid Fund - Super Inst.Daily Dividend Plan - Reinvest	2,598,352.751	26,004,054	-	-
JPMorgan India Treasury Fund-Super Inst. Daily Dividend Plan - Reinvest	3,564,594.710	35,677,672	-	-
<b>Units in IDBI Mutual Fund</b>				
IDBI Ultra Short Term Fund-Daily Dividend - Reinvestment	5,000,000.000	50,000,000	-	-

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### 13. Lease transactions

###### Operating leases

The Company has taken premises /vehicles on cancellable operating lease basis. The tenure of the agreement ranges from 33/60 months. There are no renewal or purchase options and escalation clauses in these agreements.

The lease rentals for the year charged to revenue are Rs. 1,334,624/- (previous year Rs. 1,345,178/-)

##### 14. Related party disclosures

###### Names of related parties where control exists

Digilink Middle East (FZE) (w.e.f. 07th April 2010)

List of related parties with whom transactions have taken place during the year and nature of relationship

Name of the related parties	Nature of relationship
Digilink Middle East (FZE) (w.e.f. 07th April 2010)	Subsidiary company
Mr. Kamalaksha R. Naik	Key management person
Mr. Jangoo Dalal ( previous year upto 31.05.2009)	Key management person
Mrs. Sudha K. Naik	Relative of key management person
Mrs. Lakshana A. Sharma	Relative of key management person
Ms. Arati K. Naik	Relative of key management person
D-link India Limited (formerly known as Smartlink Network Systems Limited) (previous year upto 15-07-2009)	Enterprise over which key management person and his relatives are able to exercise significant influence

###### Details of related party transactions during the year

(Rupees)

Nature of transactions	Subsidiary Digilink Middle East (FZE)	Key Management Person	Relative of key management person	Enterprises over which key management person and his relatives are able to exercise significant influence	Total
Turnover	44,590,357	-	-	-	44,590,357
	-	-	-	(11,319,777)	(11,319,777)
Logistic Support and management fees income	-	-	-	-	-
	-	-	-	(4,793,323)	(4,793,323)
Sales and Customer support service income	-	-	-	-	-
	-	-	-	(3,594,991)	(3,594,991)
DEPB licence sale	-	-	-	-	-
	-	-	-	(4,585,385)	(4,585,385)
Purchase of goods	-	-	-	-	-
	-	-	-	(119,682)	(119,682)
Purchase of fixed assets	-	-	-	-	-
	-	-	-	(258,557)	(258,557)
Managerial remuneration and sitting fees					
Mr. Kamalaksha R. Naik	-	7,824,360	-	-	7,824,360
	-	(7,104,100)	-	-	(7,104,100)
Mr. Jangoo Dalal	-	-	-	-	-
	-	(3,451,904)	-	-	(3,451,904)
Salary					
Ms. Arati K. Naik	-	-	366,452	-	366,452
	-	-	(261,584)	-	(261,584)

## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(Rupees)

Nature of transactions	Subsidiary Digilink Middle East (FZE)	Key Management Person	Relative of key management person	Enterprises over which key management person and his relatives are able to exercise significant influence	Total
Dividend paid					
Mr. Kamalaksha R. Naik	-	35,920,453	-	-	35,920,453
	-	(13,452,662)	-	-	(13,452,662)
Mrs . Sudha K. Naik	-	-	3,750,000	-	3,750,000
	-	-	(1,484,570)	-	(1,484,570)
Ms . Arati K. Naik	-	-	5,250,000	-	5,250,000
	-	-	(2,071,214)	-	(2,071,214)
Mrs. Lakshana A. Sharma	-	-	4,499,945	-	4,499,945
	-	-	(1,705,579)	-	(1,705,579)
<b>As at the year-end Amount due to</b>					
Mr. Kamalaksha R. Naik	-	-	-	-	-
	-	(1,254,100)	-	-	(1,254,100)
<b>As at the year-end Amount due from</b>	13,666,162	-	-	-	13,666,162
	-	-	-	-	-

#### Notes

- There are no provisions for doubtful debts or amounts written off or written back for debts due from or due to related parties.
- Figures in brackets are those of the previous year.

#### 15. Segment information

##### (A) Segment information for primary reporting (by business segment)

The Company has its operations in developing, manufacturing, marketing, distributing and servicing networking products. These networking products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI). The primary reporting segment for the Company, therefore, is the business segment, viz., networking products.

##### (B) Segment information for secondary reporting (by geographical segments)

The secondary reporting segment for the Company is the geographical segment based on location of customers, which is as follows:

- Domestic
- Export

##### Information about secondary segments

Particulars	Domestic	Exports	Unallocated	Total
Revenues from external customers (net) (including sale of services)	1,806,872,391 (1,518,439,471)	95,980,445 (143,249,384)	- -	1,902,852,836 (1,661,688,855)
Segment assets	1,009,042,520 (930,578,224)	22,597,220 (35,413,568)	1,034,965,653 (1,002,614,179)	2,066,605,393 (1,968,605,971)
Additions to fixed assets during the year	24,682,425 (37,421,002)	- -	- -	24,682,425 (37,421,002)

Figures in brackets are for the previous year



## Schedules forming part of the Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

16. The Company has recognition from Department of Scientific and Industrial Research ("DSIR") for its Research and Development Centre at Bangalore and Goa Centre. Research and Development expenditure for the current year aggregate to Rs.33,399,086/- (previous year Rs.65,750,817/-) as per details given below:

	Current Year Rupees	Previous Year Rupees
Salaries	27,600,222	55,448,306
Other expenses	5,798,864	10,302,511
	<b>33,399,086</b>	<b>65,750,817</b>

17. Excise duty collected from customers against sales has been disclosed as a deduction from turnover . The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in the profit and loss account as "Excise Duty".
18. The Company had instituted "Employee Stock Option Plan" (ESOP) for its employees in the year 2000. To administer the ESOP the Company had created a Trust viz. D-Link (India) Limited ESOP Trust (the Trust) in September 2000. The said Trust was allotted 6,50,000 Equity Shares of Rs 2/- each. In terms of the said ESOP, the Trust has been granting options to the employees in the form of Equity Shares which vest at the rate of 25% on each successive anniversary of the grant date. The Trust has been renamed as Smartlink ESOP Trust. The accounting of ESOPs granted by the Trust to the employees of the Company is done in accordance with the SEBI (ESOS and ESPS) Guidelines, 1999. These Guidelines were amended in July 2004 for all accounting periods commencing after 30th June 2003. The amendment required the Company to prepare its accounts as if the ESOS/ESPS scheme was administered by itself (rather than by the Trust). The Company has accordingly considered all the options granted by the Trust on or after 1st April 2004. The difference between the Market price of the share (intrinsic value) and the exercise price of the option, on the date of grant, is being amortised over the vesting period. The annual amortization is included under "Payments to and Provisions for Employees" in Schedule-13 and the cumulative charge is disclosed in the Balance sheet under "Employee stock options outstanding".
19. Cash credit account with the bank was secured by hypothecation of movable assets, stock, stores, work-in-process, book debts both present and future. The aforesaid charge has been released by the bank during the year.
20. Previous year's figures have been regrouped , wherever necessary, to conform to those of the current year.

Signatures to Schedules 1 to 15

As per our attached report of even date

**For Deloitte Haskins & Sells**

Chartered Accountants

**A.B. Jani**

Partner

Mumbai, dated 23rd May, 2011

**For and on behalf of the Board**

**K. R. Naik**

Executive Chairman

**K. G. Prabhu**

Company Secretary

Mumbai, dated 23rd May, 2011

**K. M. Gaonkar**

Director

**Bhushan Prabhu**

Chief Financial Officer

## Schedules forming part of the Accounts

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Balance Sheet abstract and Company's general business profile

#### I. Registration details

Registration No.

L 3 0 0 0 7 G A 1 9 9 3 P L C 0 0 1 3 4 1

State code

2 4

Balance Sheet date

3 1 0 3 1 1

#### II. Capital raised during the year (amount in Rupees thousands)

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

#### III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

2 0 6 6 6 0 5

Total assets

2 0 6 6 6 0 5

Sources of funds

Paid-up capital

6 0 0 1 0

Reserves and surplus

1 6 2 3 4 4 4

Share application money

N I L

Secured loans

N I L

Unsecured loans

N I L

Net Deferred tax liability

9 9 5 6

Application of funds

Net fixed assets

3 7 7 9 8 6

Investments

8 9 9 7 4 5

Net current assets

4 2 9 3 9 5

Miscellaneous expenditure

N I L

Accumulated losses

N I L

#### IV. Performance of the Company (amount in Rupees thousands)

Turnover

2 0 4 6 5 6 8

Total expenditure

1 8 3 3 7 0 9

+ / (-) Profit/(loss) before tax

✓ 2 1 2 8 5 9

+ / (-) Profit/(loss) after tax

✓ 1 6 5 6 1 2

Earnings per share (Rupees)

Refer Note no. 10 of schedule 15

Dividend %

1 0 0

#### V. Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)

8 4 7 1 8 0 . 0 0

Product description

N E T W O R K I N G P R O D U C T S

Item code no. (ITC code)

8 5 4 4 1 0 . 0 0

Product description

C A B L E S

For and on behalf of the Board

**K. R. Naik**  
Executive Chairman

**K. G. Prabhu**  
Company Secretary

Mumbai, dated 23<sup>rd</sup> May, 2011

**K. M. Gaonkar**  
Director

**Bhushan Prabhu**  
Chief Financial Officer

## Auditors' Report

### TO THE BOARD OF DIRECTORS OF SMARTLINK NETWORK SYSTEMS LIMITED

1. We have audited the attached Consolidated Balance Sheet of Smartlink Network Systems Limited ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31<sup>st</sup> March, 2011 the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of Rs. 39,522,381/- as at 31<sup>st</sup> March, 2011, total revenues of Rs. 53,024,061/- and net cash inflows amounting to Rs. 2,894,966/- for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor whose report have been furnished to us and our opinion in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the audit report of the other auditor on separate financial statements and to the best of our information and according to the explanations given to us, we are of the opinion, that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2011 ;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Registration no. 117366W

Mumbai  
Dated : 23<sup>rd</sup> May, 2011

**A. B. Jani**  
Partner  
Membership no. 46488

## Consolidated Balance Sheet as at 31st March, 2011

	Schedule No.	Rupees	As at 31st March, 2011 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	60,009,700	
Employee stock options outstanding		13,715,716	
Reserves and Surplus	2	1,616,950,814	
			1,690,676,230
<b>Deferred tax liability (net)</b>			9,955,806
	<b>Total</b>		<b>1,700,632,036</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	3	938,816,523	
Less: Depreciation / Amortisation		561,649,892	
Net block		377,166,631	
Capital work-in-progress		839,159	
		378,005,790	
<b>Investments</b>	4		<b>881,535,892</b>
<b>Current assets, loans and advances</b>			
Inventories	5	235,170,376	
Sundry debtors	6	361,105,467	
Cash and bank balances	7	133,317,264	
Loans and advances	8	82,518,286	
		812,111,393	
<b>Less: Current liabilities and provisions</b>			
Current liabilities	9	283,583,050	
Provisions	10	87,437,989	
		371,021,039	
<b>Net current assets</b>			441,090,354
	<b>Total</b>		<b>1,700,632,036</b>
Significant Accounting Policies and Notes on Accounts	15		

As per our attached report of even date

For **Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated: 23rd May, 2011

**For and on behalf of the Board**

**K. R. Naik**  
Executive Chairman

**K. M. Gaonkar**  
Director

**K. G. Prabhu**  
Company Secretary

**Bhushan Prabhu**  
Chief Financial Officer

Mumbai, dated: 23rd May, 2011

## Consolidated Profit and Loss Account for the year ended 31st March, 2011

	Schedule No.	Rupees	Year Ended 31st March, 2011 Rupees
<b>INCOME</b>			
Turnover (gross)			1,867,512,157
Less: Excise duty			83,044,416
Turnover (net)			1,784,467,741
Sale of services			127,996,055
Other income	11		100,735,042
Increase in stocks of finished goods and work-in-progress	12		55,205,037
<b>Total</b>			<b>2,068,403,875</b>
<b>EXPENDITURE</b>			
Manufacturing and Other expenses	13		893,620,283
Purchase of traded goods			891,288,899
Excise duty (Refer Note no.12 of Schedule 15)			(808,128)
Depreciation / Amortisation		76,534,153	
Less: Transferred from Revaluation Reserve		769,228	
Interest and finance charges	14		75,764,925
<b>Total</b>			<b>1,862,082,694</b>
<b>PROFIT BEFORE TAX</b>			
<b>(Loss) from Continuing Operations before tax (Refer note 4 of Schedule 15)</b>		<b>(108,936,077)</b>	
<b>Provision for tax</b>			
- Current tax [including Rs. 205,421/- for wealth-tax]		(52,494,579)	
- Deferred tax		(8,527,728)	
Short provision for taxes in respect of earlier years		1,476,514	
<b>(Loss) from Continuing Operations after tax</b>			<b>(49,390,284)</b>
<b>Profit from Discontinuing Operations before tax (Refer note 4 of Schedule 15)</b>		<b>315,257,258</b>	
<b>Provision for tax</b>			
- Current tax		107,700,000	
- Deferred tax		(907,789)	
<b>Profit from Discontinuing Operations after tax</b>			<b>208,465,047</b>
<b>PROFIT AFTER TAX</b>			<b>159,074,763</b>
Balance brought forward from previous year			1,033,259,297
<b>Amount available for appropriation</b>			<b>1,192,334,060</b>
<b>APPROPRIATIONS</b>			
Proposed dividend			60,009,700
Corporate dividend tax			9,735,074
Transferred to General reserve			16,652,754
Balance carried to Balance sheet			<b>1,105,936,532</b>
<b>Earnings per share (Face value of Rs. 2/- per share)</b>			
<b>Basic and Diluted</b>			
(Refer Note no. 7 of Schedule 15)			<b>5.30</b>
Significant Accounting Policies and Notes on Accounts	15		

As per our attached report of even date

For **Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated: 23rd May, 2011

For and on behalf of the Board

**K. R. Naik**  
Executive Chairman

**K. M. Gaonkar**  
Director

**K. G. Prabhu**  
Company Secretary

**Bhushan Prabhu**  
Chief Financial Officer

Mumbai, dated: 23rd May, 2011



## Consolidated Cash flow statement for the year ended 31st March, 2011

	Year Ended 31st March, 2011 Rupees
<b>A. Cash flows from operating activities</b>	
Profit before tax	206,321,181
Adjustments for:	
Depreciation	75,764,925
Loss on sale of fixed assets (net)	2,425,524
(Profit) on sale of current investment (non-trade) (net)	(3,014,889)
Provision for diminution in value of current investments (non-trade)	389,130
Provision for Gratuity	2,540,618
Provision for doubtful debts and advances	1,200,957
Bad debts written off	5,970,463
Unrealised exchange differences	(1,842,486)
Provision for doubtful debts and advances (written back)	(2,901,304)
Provision for Compensated absences (written back)	(162,942)
Provision for diminution in value of current investments (non-trade) (written back)	(293,641)
Sundry balances written back	(331,004)
Interest and finance charges	2,216,715
Interest income	(1,392,978)
Dividend income	(49,804,095)
<b>Operating profit before working capital changes</b>	<b>237,086,174</b>
(Increase) in trade receivables	(96,465,613)
(Increase) in inventories	(63,848,511)
Decrease in loans and advances	14,963,261
Increase in trade and other payables	46,257,830
<b>Cash generated from Operations</b>	<b>137,993,141</b>
Direct taxes paid	(46,666,003)
<b>Net cash from operating activities</b>	<b>91,327,138</b>
<b>B. Cash flows from investing activities</b>	
Purchase of fixed assets	(24,704,236)
Purchase of investments	(4,195,413,974)
Sale of fixed assets	818,845
Sale of investments	4,243,269,899
Dividend received	49,804,095
Interest received	4,183,928
<b>Net cash (used in) / from investing activities</b>	<b>77,958,557</b>
<b>C. Cash flows from financing activities</b>	
Dividend paid (including dividend distribution tax)	(87,470,701)
Interest paid	(2,216,715)
<b>Net cash (used in) financing activities</b>	<b>(89,687,416)</b>
<b>Net Increase in cash and cash equivalents</b>	<b>79,598,279</b>
Cash and cash equivalents at the beginning of the year	52,593,303
Cash and cash equivalents at the end of the year	132,191,582
<b>Notes:</b>	
1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Schedule 7 of the accounts.	
2. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the period and are considered as part of investing activity.	
3. Balances with banks in current accounts include restricted bank balance on account of dividends aggregating to Rs.1,817,563/-	
4. Also refer note 4 of Schedule 15.	
5. <b>Reconciliation of cash and cash equivalents</b>	
As per Cash-flow statement	132,191,582
Add : Unrealised exchange differences	233,636
Add : Interest accrued on bank deposits	892,046
As per Balance sheet - Schedule 7	133,317,264

As per our attached report of even date

For **Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated: 23rd May, 2011

**For and on behalf of the Board**

**K. R. Naik**  
Executive Chairman

**K. G. Prabhu**  
Company Secretary

Mumbai, dated: 23rd May, 2011

**K. M. Gaonkar**  
Director

**Bhushan Prabhu**  
Chief Financial Officer

## Schedules forming part of the Consolidated Accounts

	Rupees	As at 31st March, 2011 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
35,000,000 Equity Shares of Rs.2/- each		70,000,000
<b>Issued, subscribed and paid-up</b>		
30,004,850 Equity Shares of Rs.2/- each fully paid-up		60,009,700
Total		<u>60,009,700</u>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
Capital reserve		
State government subsidy As per last Balance sheet		2,500,000
<b>Securities premium account</b>		
As per last Balance sheet		278,614,693
<b>Foreign Currency Translation Reserve</b>		
<b>General reserve</b>		
As per last Balance sheet	173,711,498	
Add: Transferred from Profit and Loss account	16,652,754	
		190,364,252
<b>Revaluation reserve</b>		
As per last Balance sheet	40,260,436	
Less: Transferred to Profit and Loss Account	769,228	
		39,491,208
Surplus in Profit and Loss account		1,105,936,532
Total		<u>1,616,950,814</u>



## Schedules forming part of the Consolidated Accounts

### SCHEDULE 3 FIXED ASSETS

Nature of assets	As at 1 April, 2010		Gross block		As at 31 March, 2011		Depreciation/Amortisation			Net block	
	Additions	Deduction	Adjustments	As at 31 March, 2011	Upto 31 March, 2010	For the year	Deduction	Adjustments	As at 31 March, 2011	As at 31 March, 2011	
<b>Tangible assets:</b>											
Freehold Land	-	-	8,791,000	8,791,000	-	-	-	8,791,000	8,791,000	-	-
Leasehold land / premises	24,513,538	-	(8,791,000)	15,722,538	9,031,864	1,349,993	-	(8,791,000)	1,590,857	14,131,681	14,131,681
Buildings	280,403,470	-	-	280,403,470	53,375,012	6,856,867	-	-	60,231,879	220,171,591	220,171,591
Plant and machinery	241,871,523	21,685,701	17,808,162	245,749,062	152,012,775	33,472,408	14,710,577	-	170,774,606	74,974,456	74,974,456
Electrical installations	44,219,732	51,790	-	44,271,522	18,895,385	7,179,323	-	-	26,074,708	18,196,814	18,196,814
Furniture, fittings and office equipment	57,693,777	2,595,776	2,007,479	58,282,074	37,857,875	6,495,569	1,884,416	-	42,469,028	15,813,046	15,813,046
Air conditioners	35,700,381	445,522	-	36,145,903	18,364,470	7,692,999	-	-	26,057,469	10,088,434	10,088,434
Motor vehicles	14,085,094	10,312,029	1,948,243	22,448,880	6,489,717	3,549,650	1,924,522	-	8,114,845	14,334,035	14,334,035
Computers	158,174,057	2,623,217	513,301	160,283,973	146,585,902	5,353,986	513,301	-	151,426,587	8,857,386	8,857,386
	856,661,572	37,714,035	22,277,185	872,098,422	442,613,000	71,950,795	19,032,816	-	495,530,979	376,567,443	376,567,443
<b>Intangible assets:</b>											
Computer Software	38,819,996	-	-	38,819,996	33,637,450	4,583,358	-	-	38,220,808	599,188	599,188
Goodwill	27,898,105	-	-	27,898,105	27,898,105	-	-	-	27,898,105	-	-
<b>Total</b>	<b>923,379,673</b>	<b>37,714,035</b>	<b>22,277,185</b>	<b>938,816,523</b>	<b>504,148,555</b>	<b>76,534,153</b>	<b>19,032,816</b>	<b>-</b>	<b>561,649,892</b>	<b>377,166,631</b>	<b>377,166,631</b>
Capital work-in-progress (capital advances)										839,159	378,005,790

#### Notes

- Leasehold land/premises include:
  - Plots of land of the aggregate gross value of Rs.14,036,538/-, taken on lease from the Goa Industrial Development Corporation (GIDC) for an initial period of thirty years with an option to extend the lease to ninety/ninety-five years.
  - Land and premises of the aggregate gross value of Rs.1,686,000/-, taken on lease from Maharashtra Industrial Development Corporation (MIDC) for an initial period of ten years with an option to extend the lease to ninety-five years.

Title deeds in respect of the above are in the names of GIDC and MIDC respectively.
- Freehold land include:
 

Plot of land of the aggregate gross value of Rs.8,791,000/-, taken on lease cum sale basis from the Karnataka Industrial Areas Development Board (KIADB) for a period of six years. As per the terms of the lease agreement, the parent company during the year has executed a Deed of Sale with KIADB under which the plot of land has been transferred to the parent company. Accordingly, the land has been re-classified as Freehold from the earlier classification of Leasehold.
- Goodwill represents the difference between the net assets of erstwhile Virtual Computers Private Limited taken over pursuant to scheme of amalgamation and the cost of shares held by the parent company in the erstwhile Virtual Computers Private Limited.

## Schedules forming part of the Consolidated Accounts

	As at 31st March, 2011 Rupees
<b>SCHEDULE 4</b>	
<b>INVESTMENTS</b>	
<b>Current investments (non-trade)</b> <b>(At lower of cost and fair value)</b>	
In Mutual funds Units (unquoted)	881,925,022
Less: Provision	389,130
<b>Total</b>	<b>881,535,892</b>
<b>Notes :</b>	
Aggregate value of investments (net of provision)	881,535,892
Unquoted	-
Quoted	-
Market value	-
<b>SCHEDULE 5</b>	
<b>INVENTORIES</b>	
Stores, spares and packing materials	1,153,093
<b>Stock-in-trade</b>	
Raw materials and components	62,180,279
Work-in-progress	9,560,166
Finished goods	
- Manufactured	49,470,370
- Traded	112,806,468
<b>Total</b>	<b>235,170,376</b>
<b>SCHEDULE 6</b>	
<b>SUNDRY DEBTORS (Unsecured unless otherwise stated)</b>	
Debts outstanding for a period exceeding six months *	3,145,423
Other debts *	359,970,345
	363,115,768
Less: Provision	2,010,301
<b>Total</b>	<b>361,105,467</b>
<b>Notes</b>	
(a) Considered good	361,105,467
Considered doubtful	2,010,301
	363,115,768
(b) * Includes amounts in respect of which the parent company holds deposits	11,478,936
<b>SCHEDULE 7</b>	
<b>CASH AND BANK BALANCES</b>	
Cash on hand	386,465
<b>Balances with banks</b>	
- In current/cash credit accounts	79,408,753
- In deposit accounts	53,522,046
(includes interest accrued Rs.892,046/-)	132,930,799
<b>Total</b>	<b>133,317,264</b>

## Schedules forming part of the Consolidated Accounts

	As at 31st March, 2011 Rupees
<b>SCHEDULE 8</b>	
<b>LOANS AND ADVANCES (unsecured)</b>	
Advances recoverable in cash or in kind or for value to be received (Refer Note 3 (f) of schedule 15)	63,014,796
Balance with Central Excise and Customs	8,148,138
Deposits	8,691,162
Advance payment of taxes (net of provisions)	4,798,663
	<u>84,652,759</u>
Less : Provision	2,134,473
<b>Total</b>	<b><u>82,518,286</u></b>
<b>SCHEDULE 9</b>	
<b>CURRENT LIABILITIES</b>	
<b>Sundry creditors</b>	
- Total outstanding dues of micro enterprises and small enterprises	1,943,309
- Total outstanding dues of creditors other than micro enterprises and small enterprises	254,576,570
	<u>256,519,879</u>
Temporary overdrawn bank balance as per books	2,906,130
Other liabilities	24,157,041
<b>Total</b>	<b><u>283,583,050</u></b>
<b>SCHEDULE 10</b>	
<b>PROVISIONS</b>	
For Income tax [including Rs.205,421/- (net) for Wealth tax] (net of advance tax)	4,424,033
Proposed dividend	60,009,700
Corporate dividend tax	9,735,074
For Gratuity	8,995,667
For Leave encashment	4,273,515
<b>Total</b>	<b><u>87,437,989</u></b>
<b>Rupees</b>	<b>Current Year Rupees</b>
<b>SCHEDULE 11</b>	
<b>OTHER INCOME</b>	
<b>Interest</b>	
(Tax deducted at source Rs. 29,625/-)	
- On fixed deposits with banks	463,357
- On delayed payments, etc.	929,621
	<u>1,392,978</u>
Rent Income	2,659,520
Duty drawback	868,557
Dividend on current investments (non-trade)	49,804,095
Profit on sale of current investments (non-trade)	3,014,889



## Schedules forming part of the Consolidated Accounts

	Rupees	Current Year Rupees
Provision for doubtful debts and advances written back		2,901,304
Provision for diminution in value of current investments (non-trade) written back		293,641
Recovery of bad debts		767,251
Sundry balances written back		331,004
Exchange differences (net)		18,483,742
Logistic support services and management fees		14,128,997
Miscellaneous income		6,089,064
<b>Total</b>		<b><u>100,735,042</u></b>
 <b>SCHEDULE 12</b>		
<b>INCREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROGRESS</b>		
<b>Stock as at 31st March, 2011</b>		
Finished goods		
- Manufactured		49,470,370
- Traded		112,806,468
Work-in-progress		9,560,166
		<u>171,837,004</u>
 <b>Less: Stock as at 1st April, 2010</b>		
Finished goods		
- Manufactured		56,897,233
- Traded		51,507,791
Work-in-progress		8,226,943
		<u>116,631,967</u>
<b>Increase</b>		<b><u>55,205,037</u></b>
 <b>SCHEDULE 13</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed		382,238,822
<b>Payments to and provisions for employees :</b>		
Salaries, wages and bonus	236,344,513	
Contribution to provident and other funds	6,356,741	
Staff welfare expenses	13,537,546	
Gratuity	4,542,938	
Leave encashment	990,930	
		<u>261,772,668</u>
Stores, spares and packing material consumed		9,891,789
Power and fuel		12,396,042
Rent		13,985,507
Operating lease rentals		1,334,624
Rates and taxes		293,518
Insurance		4,066,959

## Schedules forming part of the Consolidated Accounts

	Rupees	Current Year Rupees
<b>Repairs and maintenance</b>		
Buildings	113,416	
Machinery	4,807,145	
Others	9,223,060	
		14,143,621
Travelling and conveyance expenses		22,150,547
Communication expenses		9,631,004
Legal and Professional fees		25,227,886
Advertisement and sales development expenses		89,868,466
Commission on sales		951,074
Loss on sale/write-off of fixed assets (net)		2,425,524
Provision for diminution in value of current investments (non-trade)		389,130
Provision for doubtful debts and advances		1,200,957
Donations		930,588
Directors sitting fees		635,000
Bad debts written off		5,970,463
Miscellaneous expenses *		34,116,094
<b>Total</b>		<b><u>893,620,283</u></b>
* Includes Printing and stationery, Bank charges etc.		
<b>SCHEDULE 14</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
On security deposits from dealers		918,315
On short term loans from banks		404,196
On cash credit accounts etc.		3,605
On others		890,599
<b>Total</b>		<b><u>2,216,715</u></b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### Background :

The Consolidated Financial Statements of Smartlink Network Systems Limited ( the parent company) comprise of the financials of the parent company and Digilink Middle East FZE, a wholly owned subsidiary of the parent company, together referred to as the 'Group'.

The initial subscription to the share capital of the subsidiary was made by the parent on 7th April, 2010. Hence, the Consolidated Financial Statements include the accounts of the subsidiary from the aforesaid date.

#### A SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation of financial statements

The accounts have been prepared to comply in all material aspect with applicable principles in India, the Accounting Standards notified in the Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act, 1956.

##### Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

##### Fixed assets

###### i.) Tangible assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any

###### ii.) Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Computer software is amortised over a period of four years, which is as estimated by management (except ERP software which is amortised over a period of three years). Goodwill arising on amalgamation is amortised over a period of five years.

##### Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after 1st April, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on "Leases", (AS 19). Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

##### Depreciation

- i.) Cost of leasehold land/premises and structural improvements are amortized over the period of lease.
- ii.) Depreciation on Buildings is provided on the straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- iii.) Depreciation on the following assets is provided over their useful life which is as estimated by management:

Asset Description	Useful life
Motor vehicles	5 years
Computer Software tools	5 years
Computers & Computer software	4 years
Plant and machinery	8 years
Electrical installations	10 years
Furniture, fittings and office equipment	8 years
Air conditioners	10 years
Moulds	1 year

##### Impairment loss

At the end of each accounting period, the Group determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". An impairment loss is charged to the Profit and Loss account in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

##### Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### **Inventories**

Items of inventory are valued at lower of cost and net realisable value, on the following basis:

- i.) Raw materials, components, stores and spares - on weighted average basis.
- ii.) Work-in-process and finished goods - on the basis of absorption costing comprising of direct costs and overheads other than financial charges.

##### **Revenue recognition**

Revenue (income) is recognized when no significant uncertainty as to determination/ realization exists.

##### **Employees Benefits**

- i.) Provident fund liability is determined on the basis of contribution as required under the statute/rules.
- ii.) Contribution to gratuity fund payable to the Trust formed for this purpose is charged to revenue in accordance with the scheme framed by the Life Insurance Corporation of India. Provision is made for the difference between the liability as per the actuarial valuation obtained at the end of the year and the fund balance with the Life Insurance Corporation of India.
- iii.) Provision for Leave encashment is made on actuarial valuation done as at the year-end.

##### **Foreign currency transactions**

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of contract.

Gains/losses on settlement of transactions arising on cancellation/renewal of forward exchange contracts are recognised as income or expense.

At the year-end, monetary items denominated in foreign currency and the relevant foreign exchange contracts are reported using the closing rate of exchange. Exchange difference arising thereon and on realization/payments of foreign exchange are accounted as income or expenses in the relevant year.

On consolidation, the assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the year.

Exchange differences arising in case of Non integral Foreign Operations are recognised in the Group's Translation Reserve classified under Reserves and Surplus.

##### **Borrowing costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

##### **Government grants**

Grants relating to specific fixed assets are disclosed as a deduction from the value of the concerned assets. Grants related to revenue are credited to the Profit and Loss account. Grants in the nature of promoter's contribution are treated as Capital reserve.

##### **Taxes on income**

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income-tax Act, 1961.

Deferred Income tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future income will be available except that deferred tax assets in case there are unabsorbed depreciation and losses are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same (refer note 6 below)

##### **Contingent Liability**

These, if any, are disclosed in the notes on accounts. Provision is made in the accounts if it becomes probable that an out flow of resources embodying economic benefits will be required to settle the obligation.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. NOTES ON ACCOUNTS

1. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 on 'Consolidated Financial Statements' (AS-21) notified in the Companies (Accounting Standards) Rules 2006.

The details of the subsidiary is as under:

Subsidiary (incorporated in United Arab Emirates)	Percentage holding	Date of the financial statement
Digilink Middle East FZE (DME)	100%	31st March, 2011
		<b>Rupees</b>

- |  |             |
|--|-------------|
| 2. Estimated amount of contracts remaining to be executed on capital account and not provided for  | 231,960     |
| 3. <u>Contingent liabilities, in respect of</u>  |             |
| a. Show cause notices received by the parent company from customs authorities relating to imports made in earlier years. The parent company has filed replies to these notices and does not expect any demand to materialize   | 242,015,325 |
| b. Disputed demands of custom duty against the parent company pending before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT)   | 2,414,221   |
| c. Disputed penalty demands of Custom Authorities with respect to (b) above against the parent company, pending before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT)   | 2,412,221   |
| d. Disputed demand of excise duty in connection with valuation of products manufactured by the parent company pending before CESTAT  | 38,715,672  |
| e. Disputed penalty demands of Excise Authorities with regard to (d) above against the parent company, pending before the CESTAT   | 39,517,713  |
| f. Custom duty paid under protest<br>The raw material/trading material/software imported by the parent company are subjected to different rates of customs duty based on classification under respective Tariff Head. The Customs department has objected to the classifications adopted by the parent company for certain items and has demanded additional duty for the same.<br>The parent company has paid such differential duty under protest, which is included under Advances recoverable in cash or in kind or for value to be received in Schedule 8, pending resolution of the dispute.   | 4,487,728   |
| g. SEBI had filed a criminal case, in the Metropolitan Magistrate court, in June, 2006 under Section 77A(4) r/w Section 621 for alleged contravention of provisions of the Companies Act, 1956 for failing to complete the process of buy back of shares as provided under the said section.<br>The parent company had filed an application in the Hon'ble High Court of Bombay and the Hon'ble High Court has passed Orders staying the proceedings in the Metropolitan Magistrate court.<br>The stay is continuing. The parent company does not expect any liability on this account at this stage.  |             |
| 4. The Board of Directors of the parent company at its meeting held on 31st March, 2011 approved the sale of the Structured cabling business comprising of manufacture, sale and marketing of structured cabling products carried under the brand name "DIGILINK", hereinafter referred to as ("Digilink Business") of the Group, to Schneider Electric India Private Limited ("Schneider"). The Digilink Business together with its respective assets and liabilities, shall be transferred to Schneider on a 'slump sale' basis as a going concern, for a cash consideration of Rs.5,030,000,000/- to be adjusted for any net working capital changes as on the closing date.<br>In this connection, the parent company has signed the Business Transfer Agreement dated 31st March, 2011 and has obtained the shareholder's approval subsequent to the year-end.<br>Subsequently, the parent company has received the aforesaid amount on 13th May, 2011, the closing date, and has taken steps to complete the transaction with Schneider.<br>Accordingly, the 'DIGILINK' business of the Group is considered as a 'discontinued operation' in terms of Accounting Standard 24 on 'Discontinued Operations' (AS 24). |             |



## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

The disclosures required under AS 24 are as under :

**a. Details of revenue and expenses and assets and liabilities of continued and discontinued operations :**

(Rupees)

Particulars	Continuing Operation	Discontinuing Operations	Total
Turnover (net)	201,146,783	1,583,320,958	1,784,467,741
Sale of services	127,996,055	-	127,996,055
Other Income	78,667,120	22,067,922	100,735,042
Increase/(Decrease) in stocks of finished goods and work-in-progress	34,502,030	20,703,007	55,205,037
Total Income	442,311,988	1,626,091,887	2,068,403,875
Total Expenditure	551,248,065	1,310,834,629	1,862,082,694
Profit/(Loss) before tax	(108,936,077)	315,257,258	206,321,181
Provision for taxation	(59,545,793)	106,792,211	47,246,418
Profit/(Loss) after tax	(49,390,284)	208,465,047	159,074,763
Assets	1,542,286,811	529,366,264	2,071,653,075
Liabilities	213,056,231	167,920,614	380,976,845

**b. Cash flow from Continuing and Discontinuing operations :**

(Rupees)

Particulars	Continuing Operation	Discontinuing Operations	Total
Net cash from operating activities	(179,117,477)	270,444,615	91,327,138
Net cash (used in)/from investing activities	58,840,861	19,117,696	77,958,557
Net cash (used in) financing activities	(90,605,731)	918,315	(89,687,416)

**5. A** The disclosure as required under AS-15 regarding the Group's defined benefit plans is as follows:

	Current Year Rupees
<b>I. Reconciliation of opening and closing balances of Defined Benefit obligation</b>	<b>Gratuity (Funded)</b>
Defined Benefit obligation at beginning of the year	10,646,662
Current Service Cost	2,478,423
Interest Cost	775,111
Past service cost - (vested benefit)	2,642,850
Actuarial (gain)/loss	(862,308)
Benefits paid	(1,915,548)
Settlement cost	-
Defined Benefit obligation at year-end	13,765,190
<b>II. Reconciliation of opening and closing balances of fair value of plan assets</b>	
Fair value of plan assets at beginning of the year	4,191,613
Expected return on plan assets	387,502
Actuarial gain/(loss)	103,636
Employer contribution	2,002,320
Benefits paid	(1,915,548)
Settlement cost	-
Fair value of plan assets at year end	4,769,523

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rupees
<b>III. Reconciliation of fair value of assets and obligations</b>	<b>Gratuity (Funded)</b>
Present value of obligation as at 31st March, 2011	13,765,190
Fair value of plan assets as at 31st March, 2011	4,769,523
Amount recognized in Balance Sheet	(8,995,667)
<b>IV. Expense recognized during the year</b> (Under the head "Payments to and Provisions for Employees" - Refer Schedule 13)	
Current Service Cost	2,478,423
Interest Cost	775,111
Past service cost - (vested benefit)	2,642,850
Expected return on plan assets	(387,502)
Actuarial (gain)/loss	(965,944)
<b>Net Cost</b>	<b>4,542,938</b>
<b>V. Actuarial assumptions</b>	
Discount rate (per annum)	8.00%
Expected rate of return on plan assets (per annum)	9.15%
Rate of escalation in salary (per annum)	6.00%
<b>VI.</b> The assumptions of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment.	
<b>VII.</b> The amounts of the present value of the obligation, fair value of the plan assets, surplus or deficit in the plan, experience adjustments arising on plan liabilities and plan assets are furnished below.	
<b>Experience Adjustment</b>	<b>31-Mar-11</b>
On plan liabilities	(862,308)
On plan assets	103,636
Present value of benefit obligation	13,765,190
Fair value of plan assets	4,769,523
Excess of (obligation over plan assets) / plan assets over obligation	(8,995,667)
<b>VIII.</b> The contribution expected to be made by the company during the FY 2011-12 have not been ascertained	
<b>IX.</b> The plan assets are managed by the Gratuity trust formed by the parent company. The management of funds is entrusted with Life Insurance Corporation of India. The details of investments made by them are not available.	
<b>B</b> The disclosure as required under AS-15 regarding the Group's defined contribution plans is as follows :	
i) Contribution to provident fund Rs. 4,479,749/-	
<b>6. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:</b>	
	<b>Rupees</b>
a. Deferred Tax Liability	
Depreciation	(15,572,734)
Total	<b>(15,572,734)</b>
b. Deferred Tax Asset	
Provision for doubtful debts	1,344,772
Others	4,272,156
Total	<b>5,616,928</b>
Deferred Tax Liability (net)	<b>(9,955,806)</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

**7. Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year, as under:**

Profit attributable to Equity Shareholders (Rupees)	159,074,763
Weighted average number of equity shares outstanding during the year	30,004,850
Basic/ diluted earnings per share including exceptional items (Rupees) (net of tax)	5.30
Nominal value per share (Rupees)	2.00

**8. The year-end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:**

**Amount receivable in foreign currency on account of the following:**

	In foreign Currency		In Rupees
Debtors	USD	200,362	8,934,164
Loans and advances	USD	4,511	191,594

**Amount payable in foreign currency on account of the following:**

	In foreign Currency		In Rupees
Creditors	USD	3,185,375	142,269,099
	EUR	49	
	SGD	5,605	

**9. Lease transactions**

*Operating leases*

The parent company has taken premises / vehicles on cancellable operating lease basis. The tenure of the agreement ranges from 33/60 months. There are no renewal or purchase options and escalation clauses in these agreements. The lease rentals for the year charged to revenue are Rs. 1,334,624/-.

**10. Related party disclosures**

*List of related parties with whom transactions have taken place during the year and nature of relationship*

Name of the related parties	Nature of relationship
Mr. Kamalaksha R. Naik	Key management person
Mrs. Sudha K. Naik	Relative of key management person
Mrs. Lakshana A. Sharma	Relative of key management person
Ms. Arati K. Naik	Relative of key management person

*Details of related party transactions during the year*

(Rupees)

Nature of transactions	Key Management Person	Relative of key management person	Total
Managerial remuneration and sitting fees	7,824,360	-	7,824,360
Salary			
Ms. Arati K. Naik	-	366,452	366,452
Dividend paid			
Mr. Kamalaksha R. Naik	35,920,453	-	35,920,453
Mrs. Sudha K. Naik	-	3,750,000	3,750,000
Ms. Arati K. Naik	-	5,250,000	5,250,000
Mrs. Lakshana A. Sharma	-	4,499,945	4,499,945

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### 11. Segment information

###### A. Segment information for primary reporting (by business segment)

The Group has its operations in developing, manufacturing, marketing, distributing and servicing networking products. These networking products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI). The primary reporting segment for the Group, therefore, is the business segment, viz., networking products.

###### B. Segment information for secondary segment reporting (by geographical segments)

The secondary reporting segment for the Group is the geographical segment based on location of customers, which is as follows:

i.) Domestic

ii.) Export

*Information about secondary segments*

Particulars	Domestic	Exports	Unallocated	Total
Revenues from external customers (net) (including sale of services)	1,806,872,392	105,591,404	-	1,912,463,796
Segment assets	1,009,042,520	42,958,736	1,019,651,819	2,071,653,075
Additions to fixed assets during the year	24,682,426	21,810	-	24,704,236

12. Excise duty collected from customers against sales has been disclosed as a deduction from turnover. The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in the profit and loss account as "Excise Duty".
13. The parent company had instituted "Employee Stock Option Plan" (ESOP) for its employees in the year 2000. To administer the ESOP the parent company had created a Trust viz. D-Link (India) Limited ESOP Trust (the Trust) in September 2000. The said Trust was allotted 6,50,000 Equity Shares of Rs 2/- each. In terms of the said ESOP, the Trust has been granting options to the employees in the form of Equity Shares which vest at the rate of 25% on each successive anniversary of the grant date. The Trust has been renamed as Smartlink ESOP Trust. The accounting of ESOP's granted by the Trust to the employees of the parent company is done in accordance with The SEBI (ESOS and ESPS) Guidelines, 1999. These Guidelines were amended in July 2004 for all accounting periods commencing after 30th June 2003. The amendment required the parent company to prepare its accounts as if the ESOS/ESPS scheme was administered by itself (rather than by the Trust). The parent company has accordingly considered all the options granted by the Trust on or after 1st April 2004. The difference between the Market price of the share (intrinsic value) and the exercise price of the option, on the date of grant, is being amortised over the vesting period. The annual amortization is included under "Payments to and Provisions for Employees" in Schedule-14 and the cumulative charge is disclosed in the Balance sheet under "Employee stock options outstanding"
14. Information as required under notification no. 51/12/2007-CL-III dated 8th February, 2011 issued by Ministry of Corporate Affairs relating to subsidiary is as under.

##### Digilink Middle East (FZE)

##### Rupees

a) Capital	18,175,272
b) Reserves	(3,854,486)
c) Total assets	39,522,381
d) Total liabilities	25,201,595
e) Details of investment	NIL
f) Turnover	53,024,061
g) (Loss) before taxation	(3,854,486)
h) Provision for taxation	-
i) (Loss) after taxation	(3,854,486)
j) Proposed dividend	NIL

Exchange rate considered as on the closing date is Rs.44.59 per USD

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

15. The parent company made the initial subscription to the share capital of Digilink Middle East (FZE) in the current year and hence there are no figures, on a consolidated basis, for the previous year.

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Signatures to Schedules 1 to 15

As per our attached report of even date  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**A.B. Jani**  
Partner

*Mumbai, dated 23rd May, 2011*

#### For and on behalf of the Board

**K.R.Naik**  
Executive Chairman

**K.G.Prabhu**  
Company Secretary

*Mumbai, dated 23rd May, 2011*

**K. M. Gaonkar**  
Director

**Bhushan Prabhu**  
Chief Financial Officer

## We at SMARTLINK...



### **Corporate Office:**

Plot No. 5, Kurla-Bandra Complex Road, Off CST Road, Santacruz (East), Mumbai - 400 098.

### **Registered Office:**

L-7, Verna Industrial Estate, Verna Salcete, Goa - 403 722.

### **Software & R & D Centre:**

# 10-A, KIADB Industrial Area, Electronic City, Phase - 2, Konappan Agrahara (PO), Bangalore - 560 100

### **Disclaimer/Forward Looking Statement**

In this Annual Report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements-written and oral that we periodically make, contains forward looking statements that set out anticipated results based on the managements plans and assumptions.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks and uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



