

D-Link®
Building Networks for People



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D-Link (India) Limited
Annual Report 2001-2002

CONTENTS

- 1 BUILDING NETWORKS FOR PEOPLE
- 2 AGGRESSIVELY IMPLEMENTING OUR GROWTH PLANS
- 4 BUILDING A TECHNOLOGY DRIVEN INTEGRATED IT COMPANY
- 6 DRAWING STRENGTH FROM THE MULTINATIONAL D-LINK CORPORATION
- 7 INVESTING IN STATE-OF-THE-ART MANUFACTURING FACILITIES
- 8 DRIVING GROWTH THROUGH STRATEGIC ALLIANCES
- 9 EXPANDING PRODUCT PORTFOLIO TO MEET MARKET NEEDS
- 10 PRODUCT RANGE
- 12 LEADING THE WAY WITH HIGH TECHNOLOGY VOIP SOLUTIONS
- 13 DEVELOPING SOFTWARE FOR TOMORROW
- 14 ENHANCING THE QUALITY OF SERVICE AND SUPPORT
- 15 BUILDING A BRAND THAT SPELLS WORLD-CLASS QUALITY
- 16 FOSTERING A CLIMATE OF INNOVATION AND TEAM SPIRIT

Plant 3 at Goa



BUILDING NETWORKS FOR PEOPLE

In today's information age, the challenge is to create a world where information is both affordable and accessible. Networking has become the vital link for connecting people together to achieve these objectives anytime, anywhere.

D-Link's commitment to connectivity continues to evolve as people continue to need access to vast sources of information. The current explosion of the Internet and Intranet and the growing importance of Extranet and e-commerce are examples of new opportunities that have emerged from that growth.

D-Link provides the means to make the most of these by introducing new high-speed and competitively priced Internet-related products; broadband access devices for home and individual users; as well as the powerful LAN switches; wireless devices; Voice over IP devices; peripheral servers and remote routers for the office and larger workgroups.

D-Link's next-generation networking products are built for value; quality and user-friendliness designed to reach the masses: the homes and the consumers. And by connecting business partners to new markets and opportunities; helping them achieve success and growth; D-Link is building networks for people.

To our Shareholders

CHAIRMAN'S LETTER



K.R. Naik
Chairman & Managing Director

AGGRESSIVELY IMPLEMENTING OUR GROWTH PLANS

Dear Shareholder,

It is my privilege to share with you some thoughts from the fiscal year ended 31st March, 2002 and our outlook for the future.

CHALLENGING TIMES

From the slow down in economies around the world to the shock of September 11 and its profound and prolonged aftermath, the year was one of continuous challenges. It was one of the most difficult years in recent times and the effects were felt throughout the world, including our markets. We do hope that the winds of change blow away the recessionary conditions and a significant upsurge takes place in demand this year.

Many of our competitors have had great difficulties in contending with industry challenges in recent times. We are, therefore, pleased that we have gained strength and considerable market share year after year. We have done this through hard work and perseverance, qualities that you would expect from a market leader; and in the process, we have earned the trust of our customers, their confidence and their business. There is a positive aspect of recessionary economic conditions; difficult times separate the good companies from the great ones.

In a tough year full of challenges, we demonstrated our ability to navigate in difficult market conditions and our financial performance was encouraging. Our Sales registered a marginal growth and stood at Rs. 1743 million and our Net Profit for the year was Rs. 182 million. We were able to achieve these results on account of the high levels of performance, professionalism and dedication of our employees.

ACHIEVEMENTS

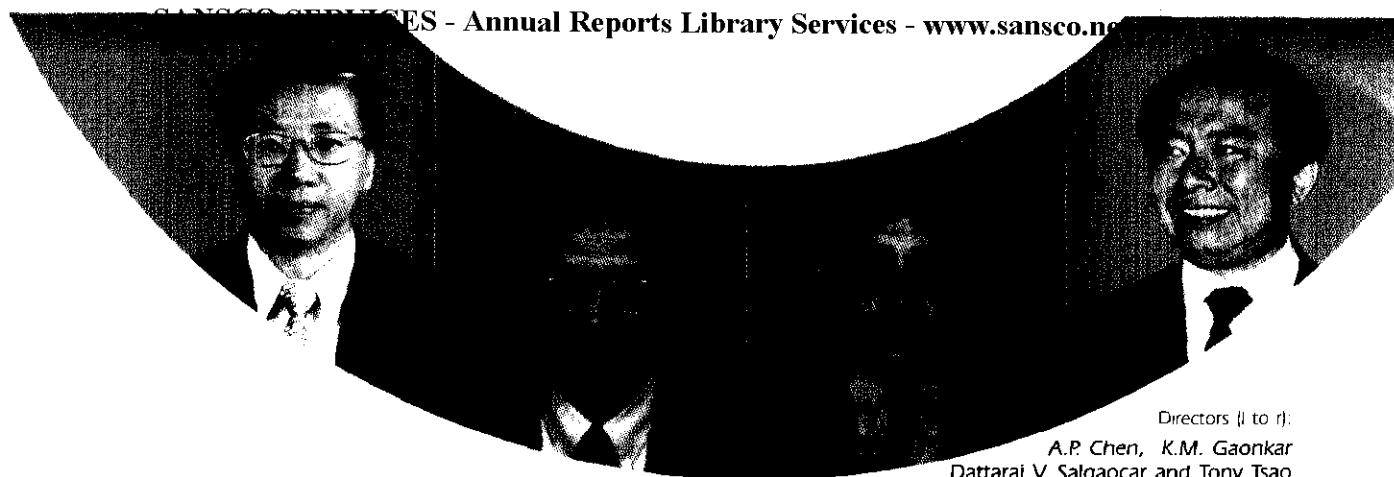
Like our previous years, this year too was full of milestones. The year saw significant enhancement in our manufacturing capabilities as well as capacities. Three Fuji SMT lines were purchased from Lucent and commissioned in record time; we are now equipped to deliver large volumes and meet stringent delivery schedules for our customers.

We leveraged our manufacturing strengths by entering into a tie-up with Gigabyte Technology Ltd. of Taiwan to develop, manufacture and market motherboards under the brand name 'DigiLink-Gigabyte'. Gigabyte is one of the largest motherboard makers in the world and this alliance would go a long way towards making D-Link a leader in motherboards in India.

This year we made a significant breakthrough by exporting our structured cabling products to the Middle East. Our products measure up to the world's best in quality and are most competitively priced. We are confident that it is a matter of time before the many global units of D-Link Corporation worldwide start sourcing some of their requirements from us.

Continuing our thrust in Software and R&D, we recently moved our Software and R&D Center in Bangalore to a spacious new premises, which has excellent infrastructure and state-of-the-art test facilities. This Center has made impressive achievements in a short time and we expect it to be our future strength towards newer product technology and a major revenue earner.

Our products in all segments continued to do well; we also introduced many new products in several categories during the year.



Directors (l to r):
A.P. Chen, K.M. Gaonkar
Dattaraj V. Salgaocar and Tony Tsao

During the year, we launched innovative communication technology products such as broadband routers, gateways, wireless products, cable and DSL modems. We have an excellent portfolio of VoIP products and have started introducing them in India after the market was opened up in April, 2002. The launch of broadband and IP telephony solutions exemplifies our ability to keep pace with the changing times by changing our product mix and continually expanding our expertise in new generation technology.

We are integrating our systems so that all departments have free flow of information to respond better to customer requirements and new opportunities. We have implemented a web based ERP solution to focus on tightening and strengthening our delivery, service and support capabilities.

We remain committed to pursuing new opportunities and staying ahead of the competition. We will be innovators, constantly looking for new ideas and using our knowledge and experience to make our business better day by day.

STRONG LINKS WITH THE MULTINATIONAL D-LINK CORPORATION

We enjoy a very special relationship with D-Link Corporation of Taiwan, who have made exceptional progress and are today a global force in networking.

Their investment in D-Link (India) - their first investment outside Taiwan - has been invaluable and their contribution to our growth and success has been immense. They constantly give us valuable insight into the global trends impacting our industry, help us to assimilate cutting edge technology and impart intensive training to our people at all levels. We have access to their world-class technology and worldwide resources, which gives us a competitive edge few Indian companies can match.

WELL POSITIONED FOR GROWTH

D-Link is well positioned for continued success and growth in a dynamic and growing industry. We have a sound and coherent strategy - the right products at the right time to market. We also have the determination and energy to make D-Link an undisputed leader in networking field.

We place tremendous emphasis on building long-lasting customer relationships that start with sales of products and solutions and are built on outstanding service quality. We will endeavour to leverage these by offering a larger portfolio of products and solutions to our customers.

We have demonstrated our ability to focus and achieve ambitious targets. Our goal is one: to deliver superior customer satisfaction. It is through this spirit and determination that we do what is right for the customer, the company and all its shareholders.

CREATING VALUE

We will create value for our shareholders by leveraging our strengths, our reputation for quality, integrity and value, our excellent distribution network, our wide range of products and our strong brand equity.

I am confident and optimistic about D-Link's future. The market is full of opportunities and we will strive to take advantage of that. While all our past endeavours have met with success, I have no doubt that our best years are yet to come.

Thank you.

Sincerely,

K.R. Naik
Chairman & Managing Director

D-Link is continually expanding the scope of technology expertise and leadership to develop cutting edge solutions in networking and communications.



BUILDING A TECHNOLOGY DRIVEN INTEGRATED IT COMPANY

Promoted by Mr. K.R. Naik, D-Link (India) Ltd. commenced business in 1995 and is part of the multinational D-Link Corporation Group of Taiwan, which has a substantial financial stake in the Indian company.

For the past nine years, D-Link has devoted its energies to developing, producing and marketing high value networking and internetworking products.

D-Link's commitment to world-class quality, design, development, manufacturing and marketing remains the hallmark of the Company. Its products are recognised and embraced for technological excellence by leading industry influencers, media and customers.

Today, D-Link is a brand with maximum visibility and penetration in India, in its market segment. D-Link has a strong and distinct brand image in networking, internetworking and structured cabling products.

With its entry into newer segments like VoIP and Digital Home products, D-Link has become a one stop shop for all Communications, Local Area Network (LAN), Wide Area Network (WAN), Gigabit Area Network (GAN), Metropolitan Area Network (MAN), Virtual Private Network (VPN), Voice Over IP, Intranet and Extranet needs.

D-Link has three state-of-the-art ISO 9002 and ISO 14001 certified plants in Goa. These plants have new generation, high speed SMT lines and manufacture products that conform to the most stringent international quality standards.

D-Link has set up Software Development and R&D Centres at Goa, Bangalore and New Mumbai, which are engaged in the design of new products and development of internetworking software.

MILESTONES

March 1993	: Incorporated as Smart Link (India) Pvt. Ltd. with intention of joint venture with D-Link Corporation
March 1993	: Commencement of Mumbai Head Office
January 1995	: 1st Manufacturing facility with SMT line in Goa to manufacture networking products
March 1995	: D-Link India Pvt. Ltd. formed as a joint venture with D-Link Corporation, Taiwan
March 1998	: ISO 9002 Certification
April 1998	: Internetworking Product Line launched with the introduction of Modems
July 1998	: D-Link (India) turns "Limited"
February 1999	: Structured Cabling Systems launched
July 1999	: Structured Cabling plant commissioned
August 1999	: Second manufacturing facility with high speed SMT Lines in Goa commissioned
February 2000	: D-Link Infotech Center (Software and R&D Division) started in Bangalore
July 2000	: Digital Home Division launched
November 2000	: Lanner India Pvt. Ltd. formed as a joint venture with Lanner Electronics of USA for industrial PCs
March 2001	: Initial Public Offer
April 2001	: Large third manufacturing facility with high speed 'Panasonic' SMT lines commissioned in Goa
May 2001	: ISO 14001 Certification awarded
December 2001	: 3 additional high speed 'Fujii' SMT lines added in 3rd manufacturing plant
February 2002	: Motherboards launched; Tie-up with Gigabyte
May 2002	: Software and R&D Center moves to new premises in Bangalore

With strong capabilities in R&D, product design and development, software development, manufacturing, marketing, distribution and service, D-Link has become a truly technology driven, integrated IT company.



RECOGNITIONS

MAIT (June 2002)

- D-Link presented with "Award for Excellence in Exports"

Voice & Data (May 2002)

- D-Link maintained No.3 position among networking providers.
- D-Link is the king of the Hubs category with 65.78% market share.
- D-Link is the clear leader in the NIC market (44.46% market share).
- D-Link retained its No.1 position in dial-up Modems with 56.03% market share.
- D-Link made inroads in the leased line modem category by capturing 8% market share.
- D-Link, the No.3 player in structured cabling products with 17.78% market share gained market share at expense of others.
- D-Link is strong player in LAN Switches with 5.23% market share.

IT Nation Business Review (Nov 2001)

- No. 1 Networking Vendor in Channel Champions Survey.

PC Quest (Sept 2001)

- Users' Choice Winner in ISDN Devices, Modems and Network Switches.

PC World (Jan 2001)

- Techies Award for Best Networking Vendor.

PC World (Sept 2000)

- Editors' Choice Award for Modems and ISDN products.

Communications Today (Nov-Dec 1999)

- D-Link voted as No.1 Modem in India.

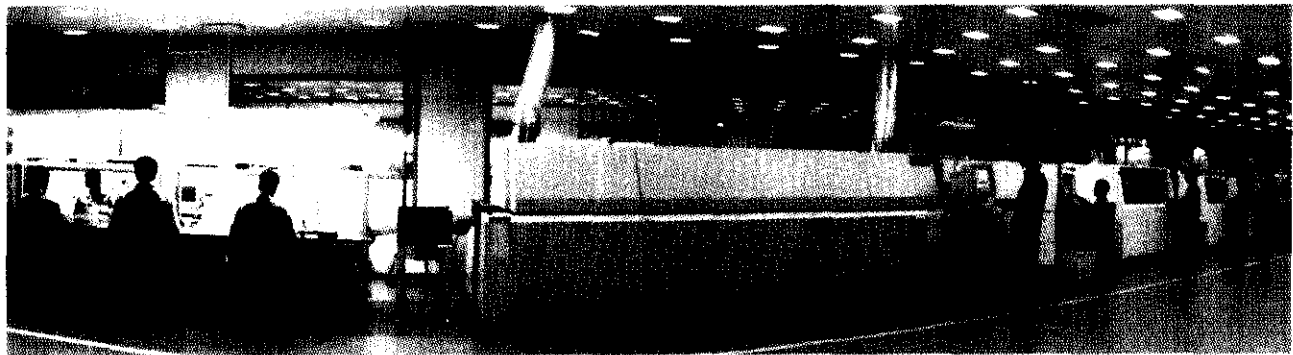


▲ Mr. K.R. Naik, CMD, D-Link (India) Ltd. receiving MAIT Award for 'Excellence in Exports' from Mr. N. Vittal, Central Vigilance Commissioner, Govt. of India in New Delhi.



▲ Plant 2 at Goa commissioned in 1999

▼ SMT Line at Plant 3, Goa



D-Link Corporation has firmly established itself as one of the industry's leading designers, developers and manufacturers of high performance connectivity solutions worldwide.



DRAWING STRENGTH FROM THE MULTINATIONAL D-LINK CORPORATION

D-Link Corporation is one of the world's leading networking companies. The Company designs, manufactures and markets broadband, wireless, VoIP, digital home and office network equipment, linking workgroups and individual users together as well as connecting them remotely and to the Internet.

Emphasising teamwork, innovation and solid management, the Company stays ahead of the pack and in the forefront of networking technology.

With plants in Taiwan, China, India and the USA, D-Link Corporation has been able to streamline production, cut costs and move products faster from the plants to the customers.

The Company's services are truly global in range and scope. Its products are marketed today in over 100 countries worldwide. It has regional headquarters in North America, Europe and Asia Pacific and forty seven offices worldwide.

A high growth company, D-Link Corporation's revenues have risen from just a few million US Dollars in 1986, the first year of its operation, to over US Dollars 500 million in 2001. D-Link Corporation has been profitable every year since its inception, and continues to grow at a rate that will allow the Company to experience continued prosperity.

Key to the Company's success has been its globally acclaimed price/performance network products, and its solid supplier-customer relationship. D-Link's command of quality and price competitiveness has been the result of its innovative hard-working employees, its commitment to research and development, and its low-cost manufacturing knowhow.

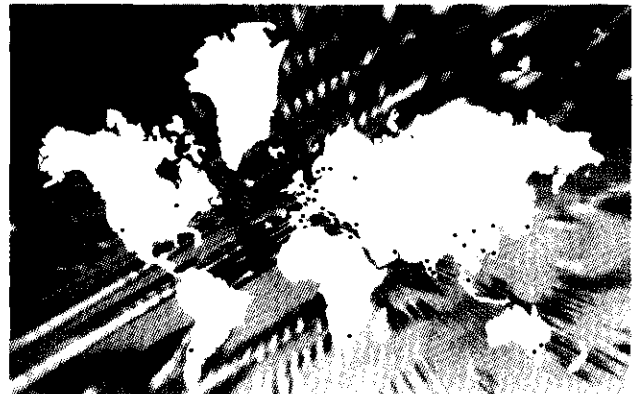
To maintain its leadership in networking, D-Link is moving fast toward higher-speed, higher-bandwidth technologies to expand into new areas.

To protect users' investment, D-Link Corporation incorporates the latest technologies into the network systems today, while making them scalable and flexible enough to handle tomorrow's demanding applications and configurations.

D-Link is one of the early players in VoIP (Voice over Internet Protocol). D-Link's VoIP products help businesses as well as individuals to cut down on huge long distance and international phone charges.

Now, with D-Link wireless products, networking PCs, servers and peripherals together without wires is a breeze. Together with the wired LAN for SOHO, workgroups and enterprises, D-Link offers a full range of networking technologies designed for performance, reliability, manageability with emphasis on ease-of-use and low cost.

Over the years, the Company has built up a network of successful distributors, resellers, dealers and system integrators.



▲ D-Link's worldwide presence is stronger than ever with 47 International offices servicing more than 100 countries.

At its core, D-Link is an engineering driven company with a strong commitment to technological excellence and high quality production.

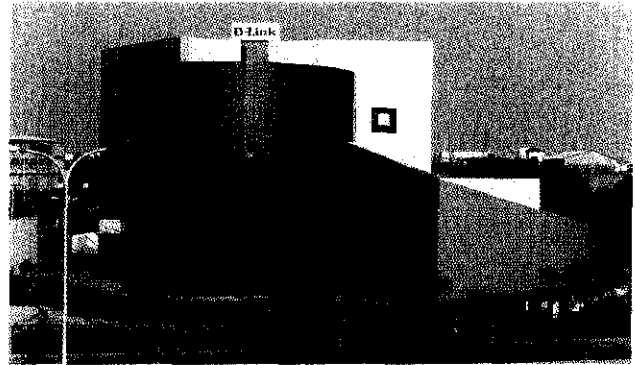


INVESTING IN STATE-OF-THE-ART MANUFACTURING FACILITIES

D-Link is a technology driven company with a strong commitment to world-class manufacturing and has aggressively invested in enhancing its manufacturing capacities and capabilities.

D-Link has increased its production facilities to more than 120,000 sq. ft. of manufacturing space in its state-of-the-art facilities in Goa.

The high speed automatic SMT lines at the D-Link plants at Goa are highly flexible and versatile. This enables the Company to make changes in the product mix as per market demands at a fast pace and meet stringent delivery schedules.



Plant 3 at Goa ▲



Over the years, significant improvements have been made in lowering cost of production, ensuring consistent high quality through increase in volumes and productivity.

QUALITY

Quality is the pervasive element in all D-Link products. To achieve quality, D-Link has implemented rigorous quality control programs.

D-Link was awarded the ISO 9002 certification in March 1998 for its commitment to quality.

R&D

D-Link India's R&D is actively engaged in customising the international range of products of D-Link Corporation to meet the needs of the Indian market and developing additional features/modules for them.

ENVIRONMENT PROTECTION

In recognition of its environment protection efforts, D-Link was awarded the ISO 14001 certification in May 2001.

D-Link will continue to identify partnership opportunities that will give the Company a technological edge and enable it to provide better products to its customers.



DRIVING GROWTH THROUGH STRATEGIC ALLIANCES

AGREEMENT WITH CISCO SYSTEMS, U.S.A

CISCO SYSTEMS D-Link has a two tier, non-exclusive Distributor Agreement with Cisco Systems of U.S.A to supply Cisco products and technology to customers.



JOINT VENTURE WITH LANNER OF U.S.A

L21 D-Link made its foray into the industrial PC market with a joint venture with Lanner Electronics of U.S.A. Lanner will bring specialised industrial PCs for various applications in automation and process control, environment monitoring, telecommunications, defence, utilities, chemical, steel, oil and gas industries.



ALLIANCE WITH GIGABYTE TECHNOLOGY

D-Link has entered into an alliance with Gigabyte Technology Ltd. to develop, manufacture and market motherboards in India. Gigabyte is one of the key global players in the motherboard market with products of worldwide acclaim.



Established in 1986, Gigabyte has devoted its energies to developing, producing and marketing high value products like **GIGABYTE** motherboards, graphic cards, bare-bone systems, servers and communication products.

Gigabyte Technology has grown to become one of the largest manufacturers of motherboards in the world, with production capacity of over 1,550,000 units per month. Today, one out of ten computers in the world uses a Gigabyte motherboard and this market share is set to rise still further.

