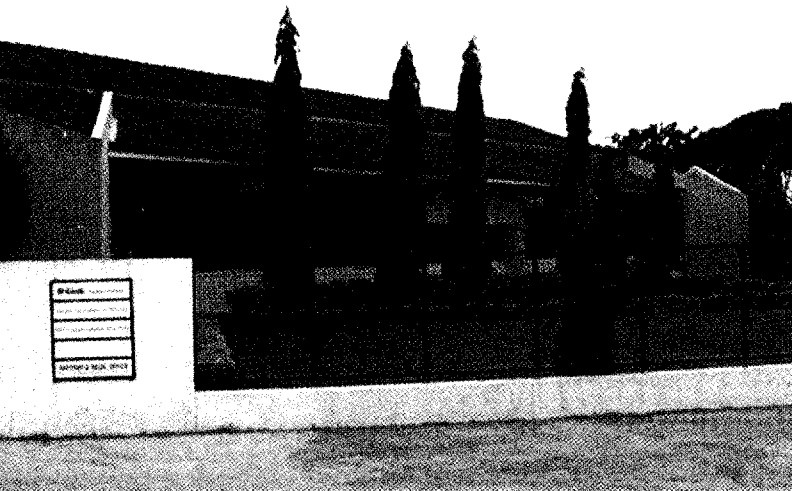


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10
Celebrating 10 Years
of
Glorious
Years

*Celebrating 10 years in India
Building Networks for People*



D-Link (India) Ltd. is a part of the multinational D-Link Corporation, which has its own overseas business units in 26 countries. Its core business is in the area of networking and communications. D-Link (India) is present in the motherboard market through a joint venture with Gigabyte Technology, Taiwan and in the high end enterprise segment with a complete range of co-branded products from Foundry Networks, Inc. of U.S.A. in India.

D-Link India's product range enjoys substantial market share in India and ranks among the leaders in Switches, Structured Cabling, Leased Line Modems, NICs, Hubs and Modems.

D-Link (India) has three state-of-the-art ISO 9001 and ISO 14001 certified plants in Goa; Software and R&D Centers in Goa and Bangalore; and a Global Tech Support Call Center in Mumbai. It has a nationwide network of 17 offices, 21 territory distributors, 325 dealers and 3600 resellers and three overseas distributors in SAARC countries providing active sales and service support.

Audited Financial Statements
for the year 2003-2004

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K.R. Naik, Chairman & Managing Director

Chairman's Communiqué

Dear Shareholders,

I am pleased to share with you our performance for the fiscal year ended 31st March, 2004 and my views on the future of the growing IT industry and D-Link (India) Ltd.

Market

Information Technology (IT) has slowly but steadily emerged as an integral part of every business and is gaining strategic importance in the success of any company. With PCs becoming more affordable, IT implementation has grown over the years and this trend will continue in the coming years as well.

The last fiscal saw major investments in sectors like telecom, banking and IT enabled services. Two new product categories – wireless and broadband – emerged as the fastest growing segments in our industry.

Performance

Our overall performance has been excellent. The networking products segment performed well and we have maintained or increased our market share across all product categories.

Our Motherboards business has grown substantially and we have streamlined our manufacturing facilities by installing sophisticated equipment to further improve productivity and quality.

The gross turnover increased by 16% to Rs. 2397 million while the net profit went up by 42% to Rs. 313 million. The steep rise in bottomline is on account of increased sales of high margin core networking products like switches and active and passive range of products designed by our own R&D as well as an increase in Other Income.

Strategy

Our strategy for sustainable high profit growth is clear.

1. Promote the parent company product range consisting of core networking and internetworking products and consolidate our market position.
2. Increase the market share of the newly introduced product categories like Motherboards by giving the best quality and support.
3. Increase focus on development of locally designed products at our R&D Center by developing own IPs or involve outside know-how to develop products which have good market potential in domestic and export markets.



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

R&D

Our investment in R&D is bearing fruit. We plan to make additional investments in our Software and R&D facility and keep up the momentum by rolling out new products for the local and global markets. The Company is also looking at strategic tie-ups to access outside know-how to develop products. The focus will be on adding more of our own products as a continuous process that would result in increased margins.

Manufacturing

Our manufacturing facility is amongst the best in India and we are constantly improving it by adding the latest technology machines. This will enable us to move into manufacturing of complex IT and communication products in future. We are also getting these facilities certified by international certification bodies so that our products are readily accepted internationally.

Expansion

We have expanded our infrastructural footprint in Goa to five units. We are planning to scale up our Bangalore operations and have acquired a plot in Bangalore Electronic City with plans to build our own independent facility. We are also looking to set up a Software Center in Goa at a new location for better administration and reducing cost of operations.

Strategic Tie-ups

The last fiscal saw us working in close partnership with large chip makers like Intel, Motorola, Conexant, etc. in the development of our own IP products. We are looking at strategic partnerships with other companies to offer products in the networking and communications space.

Tie-Up with Foundry Networks

A significant highlight of the last fiscal was our tie-up with Foundry Networks Inc. to enter the very High-End Enterprise segment with a full range of co-branded products from Foundry Networks to offer a Single Vendor Solution. This step is of strategic importance, since with co-branded products of Foundry Networks we would be able to address 90% of networking and communications product spectrum in India.

Celebrating a decade of growth

D-Link (India) would be celebrating its 10th year of operations this year. We have come a long way from where we commenced our journey a decade ago.

D-Link (India) has evolved from being a trading arm of D-Link Corporation to having its own manufacturing facilities and strong capabilities in design and development of its own products. Today, D-Link (India) is a well known name throughout the country and the 'D-Link' brand along with the other well known brands that we are associated with like Foundry and Gigabyte enjoy a high degree of consumer confidence in the market.

In the future too, D-Link (India) will remain committed to providing utmost customer satisfaction. Living up to the trust that it enjoys now. Striving to be the world's best networking company by Building Networks for People.

I thank you all for your faith in D-Link.

Sincerely,

K.R. Naik
Chairman & Managing Director



Management and Other Data

Board of Directors

K.R. Naik, Chairman and Managing Director

A.P. Chen

Tony Tsao

Dattaraj V. Salgaocar

K.M. Gaonkar

Company Secretary

K.G. Prabhu

Bankers

HDFC Bank

Bank of India

State Bank of India

Global Trust Bank

Auditors

M/s Deloitte Haskins & Sells

Chartered Accountants

Corporate Office

D-Link House

Bandra-Kurla Complex Road, Plot No.5

Off C.S.T. Road, Santacruz (East)

Mumbai 400 098.

Registered Office

L-5, Verna Electronic City,

Verna Plateau, Goa 403 722.

Software and R&D Center

#65, 35th Main, 100 ft. Ring Road,

2nd Stage, BTM Layout,

Bangalore 560 076.

www.dlink.co.in

Senior Executives

Prabodh Vyas

Director - Sales & Marketing

J.V. Avadhanulu

Director - Software Technology

C.M. Gaonkar

Director - Finance

K.V.S.S.S. Gunneswara Rao

Director - VoIP

Nitin Kunkolienker

General Manager - Commercial & Administration

Vinay Rane

General Manager - Production

Milind Tamhane

General Manager - SCS (Product Manufacturing)

Deepak Chodanker

General Manager - New Products

Shridhar Kadam

General Manager - Product Development & Engineering

Rajaram Jadhav

General Manager - Pre Sales / Tech Support

Tushar Sighat

General Manager - Sales (West)

Shekhar Kulkarni

General Manager - Sales (Central Areas)

Yogesh Sharma

General Manager - Sales (North)

Venkatesh Kamath

General Manager - Sales (South)

Debraj Dam

General Manager - Sales (East)

Vikas Pinjarkar

General Manager - Sales (SCS)

Aravindan S.

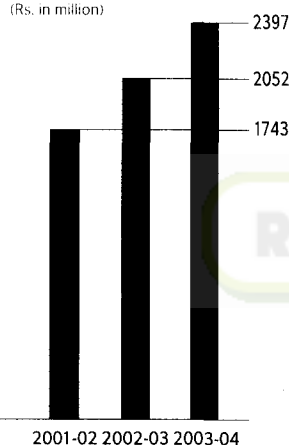
General Manager - Software Development



Financial Overview

Turnover (Gross)

(Rs. in million)

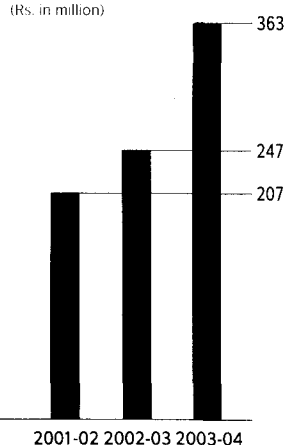


(Rs. in million)

	2001-02	2002-03	2003-04
Turnover (Gross)	1743	2052	2397
Profit before Depreciation & Tax	233	283	404
Profit before Tax	207	247	363
Profit after Tax	182	221	313
Equity Share Capital	60	60	60
Reserves	919	1086	1306
Shareholders' Funds	979	1146	1366
Gross Fixed Assets	455	487	627
Net Fixed Assets	406	409	506
Earnings per Share of Face Value Rs.2 (Rs.)	6.07	7.37	10.46
Net Asset Value per Share of Face Value Rs.2 (Rs.)	33	38	46

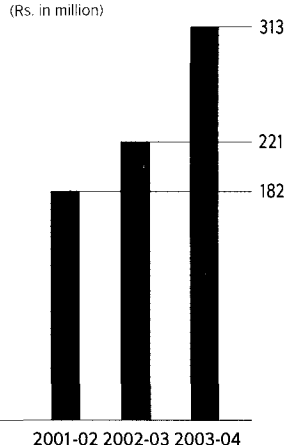
Profit Before Tax

(Rs. in million)



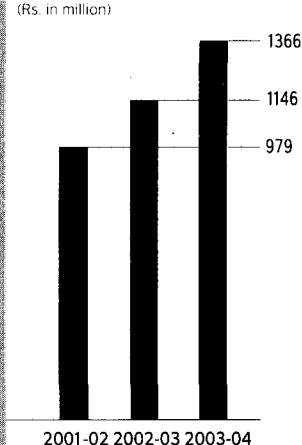
Profit After Tax

(Rs. in million)



Shareholders' Funds

(Rs. in million)



Directors' Report

To the Members,

Your Directors have pleasure in presenting before you their 11th Annual Report and Accounts for the year ended 31st March, 2004.

1. Financial Results and Appropriation

(Rs. in million)

	2003-04	2002-03
Turnover (Gross)	2396.95	2051.80
Profit before Depreciation and Tax	403.69	282.94
Less: Depreciation for the year	40.84	35.54
Profit before Tax (PBT)	362.85	247.40
Less: Provision for Tax		
a) Current Tax	37.50	16.50
b) Deferred Tax	9.50	9.62
Profit after Tax	315.85	221.27
Less: Tax adjustment of Previous Year	2.02	-
Net Profit	313.83	221.27
Balance of profit brought forward	524.63	380.01
Amount available for appropriations	838.46	601.28
Transferred to General Reserve	32.00	22.50
Dividend		
- Interim	60.01	—
- Final	24.00	48.00
Tax on Dividend		
- Interim	7.70	—
- Final	3.06	6.15
Balance carried forward to Balance Sheet	711.68	524.63
Earnings per Share (Rs.)	10.46	7.37

2. Performance

The performance of the Company during the financial year 2003-04 was significantly better as compared to the previous year. The turnover increased by 16.82% to Rs.2396.95 million as compared to previous year. The Net Profit of the Company stood at Rs.313.83 million as compared to Rs.221.27 million in the previous year representing an increase of 41.83% over the previous year.

Your Company consolidated its position in different segments of the networking industry like Switches, Modems, Network Interface Cards, besides substantially increasing its market share in Motherboards and Structured Cabling Products.

During the year, the focus of the Software Division shifted to the growing areas of VoIP, Routers and Security Appliances and to launch products based on in-house developed technologies. This is a major initiative to improve the competitive advantage of the company in the growing *networking market segment*. The expenses towards building the IP have not been capitalized and written off as expenses. Due to the shift in focus, the revenues from software projects has reduced from Rs.69.60 million to Rs.38.51 million. However, this reduction in revenue is expected to be more than offset with the revenue generated from the in-house products due to be introduced in the next financial year, apart from building long-term technological strengths for the company.

3. Major Activities

During the year under review, the Company invested in two new Companies which were incorporated during the year. The Company invested Rs.5.5 million in M/s. Digi Giga Systems Limited, a subsidiary company which was primarily set up to engage in trading of high-end motherboards. Digi Giga Systems Limited has reported a Turnover of Rs.68 million and Profit after Tax of Rs.1.32 million for the period ended 31st March, 2004.

The Company invested a sum of Rs.3.50 million in another new company, M/s. Mercury Link Systems Limited which amounts to 10% of the total paid-up equity capital of the company. M/s. Mercury Data Systems, Taiwan holds the balance 90% and have invested a sum of Rs.31.50 million. M/s Mercury Link Systems Limited is engaged in the manufacture of ATMs and all other allied products relating to ATMs.

Your Company has started a Global Tech Support Center at Mumbai which was inaugurated in September 2003. This Center is expected to contribute to revenues from the current financial year. The expenses incurred in respect of this Center for the year ended 31st March, 2004 have been charged to Profit and Loss Account.

Your Company has launched several new products in various categories like 10 Gigabit High Speed Switches, new VPN Firewalls, Wireless Gateway Airspot and a wide range of Voice based Structured Cabling products. The new range of products are expected to contribute significantly to the company's turnover in the future.

Your company is also looking to set up a software center in Goa and to scale up the operations in Bangalore by building its own independent facility.

4. Dividend

Your Directors have proposed payment of final dividend of 40% i.e. Re.0.80 per share. The Board of Directors at its meeting held on October 18, 2003 had declared 1st interim dividend @ Rs.1.20 per share. The Board at its meeting held on February 16, 2004 had declared 2nd interim dividend @ Re.0.80 per share. Consequently, the total dividend for the year (subject to approval of the final dividend by the Members at the Annual General Meeting), would be Rs.2.80 (previous year Rs.1.60) per share.

5. Amalgamation

Your Company's Board, at the meeting held on October 18, 2003 had approved the Scheme of Amalgamation of Virtual Computers Private Limited with the Company. The shareholders at the Court convened meeting on January 21, 2004 had approved the aforesaid amalgamation. The Company has filed a petition with the Hon'ble High Court at Panaji, Goa for sanctioning the Scheme of Amalgamation and is awaiting the decision of the Hon'ble High Court in the matter.

6. Employee Stock Option Plan

D-link (India) Ltd. ESOP Trust during the current financial year has granted 1,32,500 options to its eligible employees at a face value of Rs.2 per share.

7. Management Discussion and Analysis Report

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report is appended to this report.

8. Corporate Governance

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance is attached as part of the Annual Report.

9. Awards & Recognition

Your Company has received the following awards during the year under review :

- Golden Rhino Award 2004 for Networking, Networking Cables and Modems. (360^o Magazine)
- Most Admired Company 2003 in High End Networking Products, Low End Networking Products and Structured Cabling. (CRN)
- StarNite Award 2003 for Best Networking Vendor. (VAR India)
- Most Preferred Vendor in Network Interface Cards, Modems, Structured Cabling and Wireless LAN. (Channel Satisfaction Survey, 2003; DQ Channels India)
- Most Trusted Vendor in Low End Networking; Gigabyte Motherboards and Graphic Cards (Channel Champion Survey, 360^o Magazine)

10. Directors

Mr. Tony Tsao retires by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

11. 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 balance sheet date.

12. Auditors

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

13. Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo**1. Energy and Technology Absorption**

The manufacturing units are adhering to the statutory requirement of the Goa Pollution Control Board. Effective steps have been taken to conserve energy by installation of capacitors.

2. Technology Absorption

Imported machinery and technology are used in the manufacturing process. The technology adopted by the Company is the best in our conditions and has been absorbed in full. The Company is, however, on the look-out for ways and means to improve its productivity further by introducing/adopting innovations and developments in the Company's line of products.

3. Foreign Exchange Earnings and Outgo

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

14. 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, the names and other particulars of employees are set out in the Annexure attached to this report.

15. Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors hereby state and confirm that

- a) in the preparation of annual accounts, the applicable accounting standards have been followed.
- b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates 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, 2004 and the profit of the Company for the financial year April 1, 2003 to March 31, 2004.
- c) the Directors have taken proper and sufficient care 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. Subsidiary Companies

Your Company has incorporated a new Company, M/s. Digi Giga Systems Limited, during the year. The new entity is primarily into the business of trading of Motherboards. Your Company holds 55% stake in the company and the balance 45% is held by Gigabyte Technologies, Taiwan. The total paid-up capital of the new company is Rs.10 million.

As required by Section 212 of The Companies Act, 1956 the audited accounts of the subsidiaries, M/s. Virtual Computers Private Limited and Digi Giga Systems Limited and the reports thereon of the Directors and the Auditors are attached and forms a part of the Annual Report.

17. Acknowledgements

Your Directors place on record their appreciation for the wholehearted support received from clients, vendors, dealers, distributors, investors and bankers throughout the year.

Your Directors thank all the employees who have shown remarkable dedication and sincerity.

Your Directors also thank the Economic Development Corporation of Goa, Daman and Diu Ltd. and State Industries and Electricity Departments for their valuable support.

For and on behalf of the Board

Mumbai
June 29, 2004

K.R. Naik
Chairman & Managing Director

Annexure to Directors' Report

Information under Section 217(2A) of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year 1st April, 2003 to 31st March, 2004.

Name	Age	Designation and nature of duties	Remuneration (Rupees)	Qualification	Experience (Years)	Date of joining	Name of last employer, post held and period
Employed for the whole year							
K.R. Naik	57	Chairman and Managing Director	5,039,054	D.M.E., P.G. Diploma in Industrial Engineering, Diploma in Business Management	29	31.03.1993	Virtual Computers Pvt. Ltd. Director 8 years
J. V. Avadhanulu	57	Director Software Technology	2,556,882	B.E., M. Tech, IIT (Kharagpur)	23	01.12.2000	Sigmattech, Promoter

Notes: Remuneration has been calculated in accordance with the clarification given by the Department of Company Affairs. Accordingly, perquisites have been valued as per Income Tax Act.

Mumbai, dated 29th June, 2004

For and on behalf of the Board

K.R. Naik
Chairman & Managing Director



Management Discussion and Analysis Report

a) Industry Structure and Developments

The year 2003-04 was a year of growth for the networking industry. The industry grew at over 15% over the previous year (Source: Voice & Data). As in earlier years, the growth has been primarily led by the banking and financial services segments. The e-governance initiatives by various State Governments and an increase in spending by government organisations and manufacturing companies also contributed to the industry's growth.

The annual sales of PCs for FY 2003-04 is expected to cross 3 million units as per the projections given by MAIT. The reduction in excise duty on computers to 8% from 16% and removal of Special Additional Duty (SAD) in January, 2004 made PCs more affordable. This should lead to increased penetration of PCs in the country and PC sales in the year 2004-05 should see a much higher growth rate than in the previous years.

b) Opportunities and Threats

Opportunities

1. The IT industry is poised for good growth

The growth of networking industry depends largely on the growth of PC penetration. With PC prices reaching more rational levels and within the reach of the masses, PC penetration is set to move upwards and the networking industry is set for good growth in the coming year.

2. PCs are finding greater application in our daily activities. The Government is helping by reducing duties and some State Governments are sponsoring students to buy a PC at Rs.4,000/-. This will take PC sales to a higher level than last year. As PCs cannot be used independently due to internet and other applications, this will lead to further increase in the networking business. As a result, there will be increased sales of network interface cards and dial-up modems, which will still have a big market in India because Broadband may take more time to reach remote places. The structured cabling business will also see healthy increase as all networking is done by cabling except may be node level usage of wireless, which is also our business.

There is a trend of increase in spending on PCs by small and medium enterprises and the home market due to reduction in prices, especially at the entry-level as well as a growing trend of increased PC purchase in smaller towns and cities. This should result in healthy growth in various networking segments like network interface cards, modems and motherboards.

3. Worldwide sale of Wireless products is high as people need mobility and neatness in their offices. Wireless has arrived a little late in India, but there is a big boom now due to the rapid growth in wireless deployment by hotels, education, retail chains, hotspots, railway stations, airports, etc.

As awareness spreads about the benefits of Wireless products, more and more enterprises, both small and large, have started deploying Wireless LANs to complement their existing wired LANs. Worldwide, D-Link Corporation, is one of the leading companies in Wireless Networking and has held No.1 position in Europe for the last 2 years. Your company is in a very strong position to take advantage of growth of wireless in various enterprises especially in the hospitality sectors, educational campuses, retail chains and the number of total hotspots is expected to grow at a steady pace as compared to 2003.

Broadband is another emerging area and the government has committed that broadband services should be available at affordable price levels.

This year, worldwide, people have been talking about Broadband except in India. All the ISPs and Telecom companies are introducing Broadband. D-Link is a strong brand in many countries, for example, in Australia, D-Link is a leader with 80% market share.

TRAI has recently made some recommendations wherein it is expected that India can achieve 20 million broadband and 40 million internet subscribers by 2010 which would translate into penetration level of 1.7 percent and 3.4 percent respectively. India currently has 0.02 broadband connections per 100 persons, whereas Korea has 25 and China 1.4 broadband connections per 100 persons. In 2002, nearly 30% of their GDP was transacted on broadband. The broadband equipment market in India has started to look attractive and D-Link is in a strong position to take advantage of the emerging opportunities in Broadband equipment with the strong backing from its parent company, which enjoys No.1 position in Broadband customer premises equipment in Australia and No.3 position in Japan.

IP Telephony will be the future. D-Link India has been working on VoIP for the last three years and has helped D-Link Corporation in the development of these products. D-Link India also developed a dial-up IP phone, which fared very well in exports. We are now developing our own IPPBX and have a good future in this sector.

Internet telephony which was mainly used by people to make international long distance calls at cheaper rates looks all set to finally gain the imagination of the enterprise market in India. IP Telephony will have a dramatic impact on the existing information flows and business processes. D-Link with its wide range of VoIP products is expected to take advantage of the VoIP technology which may soon become the defacto standard for voice transport on converged networks.

India's emergence as a major force in the IT-enabled services sector is another big opportunity for networking hardware manufacturers. In the near future, the increased IT spending by ITES/BPO sector will provide the largest boost to networking manufacturers.