

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.

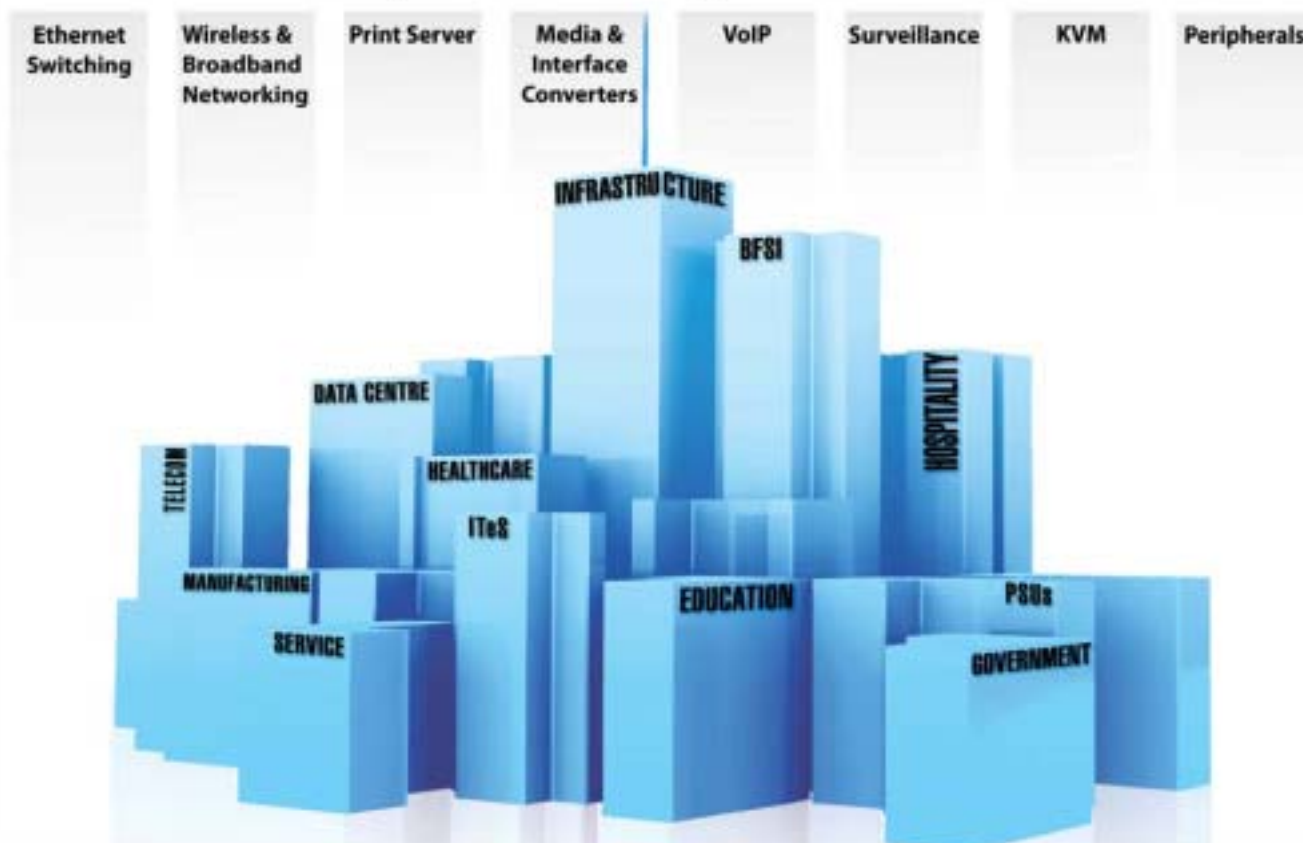
Vision

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

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



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

