

Smartlink Network Systems Ltd.

Annual Report 2011-12

Smartlink Network Systems Ltd.



To the
top
non stop

The Smart Way

Annual Report 2011-12

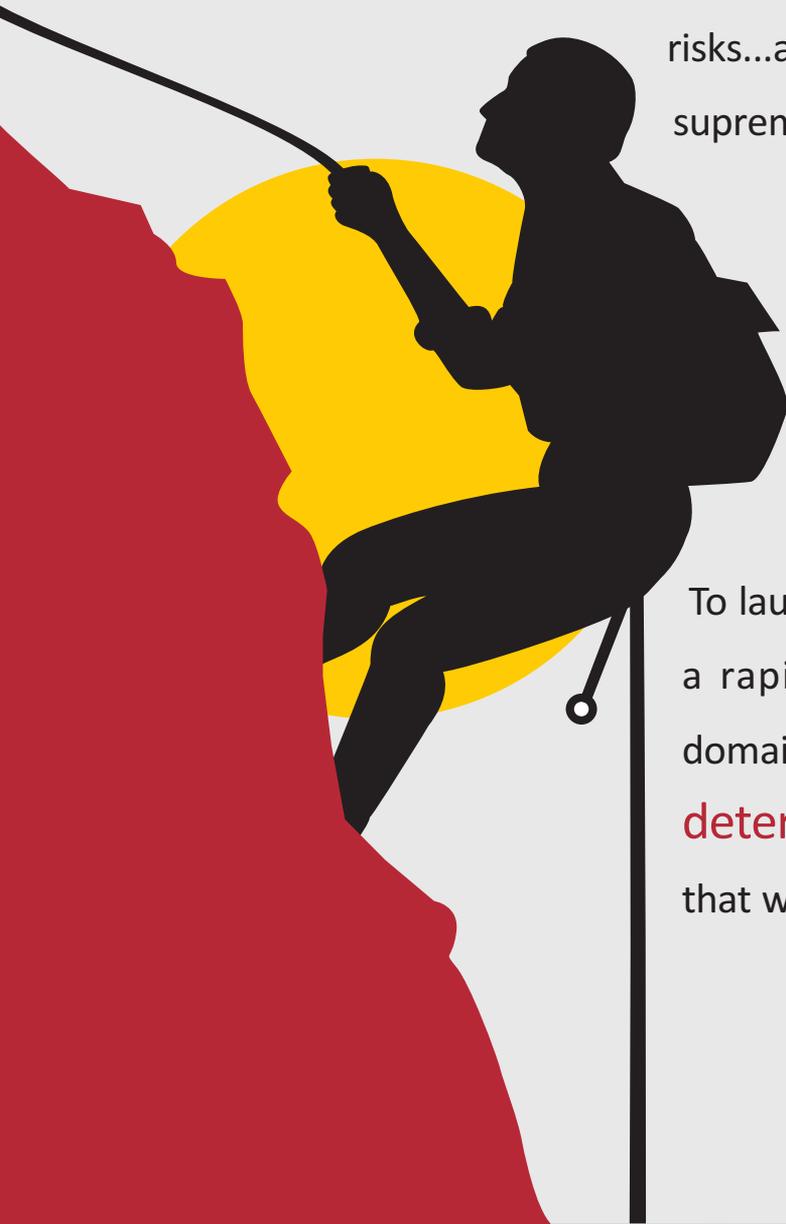
Where there's a will, there's a winner.

To see possibilities far beyond the obvious. Often far above the range of the eye. That needs a rare kind of **vision**.

To embark on that climb. To clearly weigh the risks...and yet seek the rewards. That needs supreme **confidence**.

To overcome the hazards along the path. To straddle the pitfalls. Hurdle the obstacles. That needs uncommon **capability**.

To launch three brands and take them on a rapid upward path in a challenging domain, and in difficult times. That needs **determination** and **drive**. And the **will** that will make us a **winner**.



Smartlink Network Systems Ltd. was established in the year 1993 to prop the Indian market in the field of Networking Infrastructure. Known for its honesty, ethics and integrity, today Smartlink is one of the most experienced and respected IT companies in India. Smartlink is a pioneer in bringing IT Networking Products and Technology to India and has the distinction of being one of the first companies to start manufacturing of IT Networking Products in India. Smartlink has over two decades of experience in Product Design, Development, Manufacturing, Marketing, Sales & Service with its own brand and brand building in the IT Industry and has a strong Pan-India Network of channel partners. The company addresses the needs of customers ranging from Enterprise to SME/SMB and SOHO to home users and from across the verticals i.e. Government, BFSI, Education, Manufacturing, Hospitality, Healthcare, Retail, to name a few.



Vision

To be a leading player in the Digitally Connected World, by offering a complete value proposition from product design to customer delight.

Mission

- To facilitate our customers growth in their business through our best in class product & service offerings.
- To encompass technological foresight with focused leadership.
- To create a trustworthy environment by keeping transparency with internal and external stakeholders

Values

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



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Chairman's Message



K. R. Naik,
Executive Chairman

Dear Shareholders,

It was a landmark year for your company, during which we successfully completed the closure of Business Transfer Agreement (BTA) for transfer of our DIGILINK brand product business with Schneider Electric on 13th May, 2011. We thank you for your consensus in supporting this transaction. This has led to a large increase in our investors' wealth, and has enabled us to pay a record dividend to our valued shareholders.

Following this BTA, your company's balance sheet has become extremely strong, along with expertise of two decades of building brands in Networking product lines and motherboards. We are now poised to use the resources developed over the years to build our own brands - DIGISOL, DIGILITE & DIGICARE in respective fields of IT.

People build brands by setting up infrastructure to build expertise for long term sustained growth in technology; we have been investing in trained and experienced manpower to utilize our resources and business in the newly introduced brands which are already getting recognized in the IT industry.

On this occasion, I am pleased to inform you that Mr. Bimal Raj has been appointed as Chief Executive Officer with effect from 2nd April, 2012. Mr. Bimal Raj is a senior management professional with substantial

management and leadership experience, in large dynamic organizations along with more than 24 years of experience in the IT industry. During his career, he has shouldered various responsibilities in the areas of sales & marketing, identifying new technology areas and revenue streams, strategic planning and development.

I am also happy to announce that Mr. Jango Dalal who has been on the Board of Directors of the Company for the past 5 years has been additionally appointed as a Products and Service Business Consultant, for a period of three years.

To further strengthen the family of Smartlink brands, we will be exploring various new product lines and business initiatives that will be in synergy with our existing business model, and help us to further penetrate the Indian market. This will also help our channel partners to widen their portfolio with more Smartlink products.

We are now a focused Indian entity with strong brands: DIGISOL for Active networking product lines, DIGILITE for Motherboards & peripherals and DIGICARE for Support services. We have the requisite infrastructure, supported by state-of-the-art manufacturing facilities and the best of teams. We have built the support functions required to succeed, and to take these three businesses to newer heights in the Indian market.

I am also pleased to share with you the affection and positive feedback we have received from our partner community and customers in the last nine months. Coupled with the Government's increased focus on promotion of Indian manufacturing, we are confident that we are on a healthy growth path being on similar business lines for years.

उद्यमेनैव सिध्यन्ति कार्याणि न मनोरथैः ।
न हि सुप्तस्य सिंहस्य प्रविशन्ति मुखे मृगाः ।

As the Sanskrit saying teaches us: It is with hard work that one can accomplish one's goals, not simply by dreaming. The lion is king of the jungle, but he still has to go and hunt for his meal, because the deer will not come to the lion and ask to be eaten.

Let us all refocus, rededicate and reenergize ourselves as we get on with 2012-13, to create strong powerful newly introduced Indian brands of which we will all be proud of, not only in India but internationally.

Sincerely,

K. R. Naik
Executive Chairman

DIGISOL

We have set new benchmarks in Converged Communication solutions with our brand, DIGISOL. Our legacy of developing conscientious products further bestows the coveted competitive edge.

Having discerned the precise requirements of our customers, we have developed a wide-ranging product portfolio under the DIGISOL brand that encompasses:

Converged Communications Solutions

- 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 pre-sales and post-sales technical support.

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 products and solutions meets & exceeds industry standards and exhibits optimized end-to-end network performance. It provides every user with increased margin, higher head room, higher bandwidth and maximum speed.



DIGILITE Motherboards and more...

As an Indian company with more than three decades of experience in manufacturing motherboards right from the days of 8086/80286, the company has introduced a new brand for motherboards under the brand name DIGILITE. The Company has a significant competitive edge with its cost effective manufacturing, its brand building expertise and strong distribution. DIGILITE is one of the fastest selling motherboard brands in India.

DIGILITE offers strong and localized supply chain of component products to ensure just in time delivery for customers, dedicated tech support at BIOS & design level, follow robust INTEL & AMD roadmaps with latest products available across points of sale.

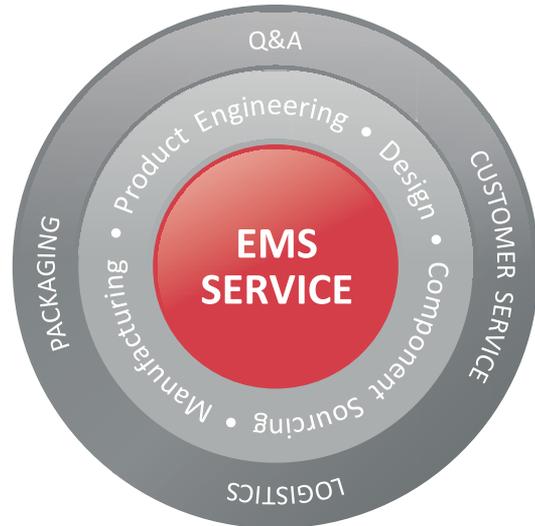
One of the strengths of DIGILITE brand of product range is its strong channel base of National Distributors/Regional Distributors across India. This consists of INGRAM MICRO as a distribution partner and 34 re-distribution partners backed by strong service support network provided by in-house support of DIGICARE.

Electronic Manufacturing Services

Smartlink Network Systems Ltd, has over 2 decades of experience in manufacturing of electronic products for IT, Networking and Telecom Industry. The manufacturing facility is located at Goa.

Our strengths include:

- ISO 9001:2008 and ISO 14001:2004 certified plants with 2 highly versatile SMT lines
- 1,20,000 sq.ft Production Shop Floor area with 2 SMT lines
- World Class Manufacturing Setup with Dust proof & Humidity controlled environment
- SMT setup with unique integration backed up by highly skilled Personnel
- Availability of Latest technology Equipments like ICT, BGA Rework machines, X-ray machine
- Process Capability of Manufacturing of RoHS Products
- BAR Code Shop Floor Control system for flawless process engineering
- Committed to delivering quality with speed



EMS Division offering:

1. Over 2 decades of experience in Manufacturing
2. Product Engineering Facility
3. Customer support of IT, Telecom & Electronic Products



Benefits of Local Manufacturing:

- Preferential treatment in Govt, PSU purchases
- Shorter lead times
- Component Level Service support
- Local product warranty
- Higher value addition
- Cost benefits for planned purchases
- Local call centre support for the product for end customers

DIGICARE

DIGICARE, the service division of Smartlink Network Systems Ltd. offers after-sale-services. DIGICARE offers first-rate integrated service and support, which consists of RMA centres, DIGICARE Technical Assistance Centre (DTAC) and Direct Service Division (DSD).

DIGICARE has evolved most efficient, skilled and professional state of service infrastructure. It has 18 Direct RMA/Service centres and 46 Service Partners across the country.

DIGICARE Technical Assistance Centre (DTAC) supports international and domestic customer support on voice, emails and chat with a wide range of technological skills including level 1, 2, 3 troubleshooting in LAN Adapters, Switches, Routers, Broadband, Wireless Security, VoIP, Surveillance, Storage, 3G products etc.

DIGICARE has been awarded “Best Post Sales Services” VARIndia Star Nite Awards 2011.

DIGICARE Vision

To provide effective & efficient repair and logistic services through state-of-the-art infrastructure and technically skilled engineers delivering on commitment within prescribed timeline.

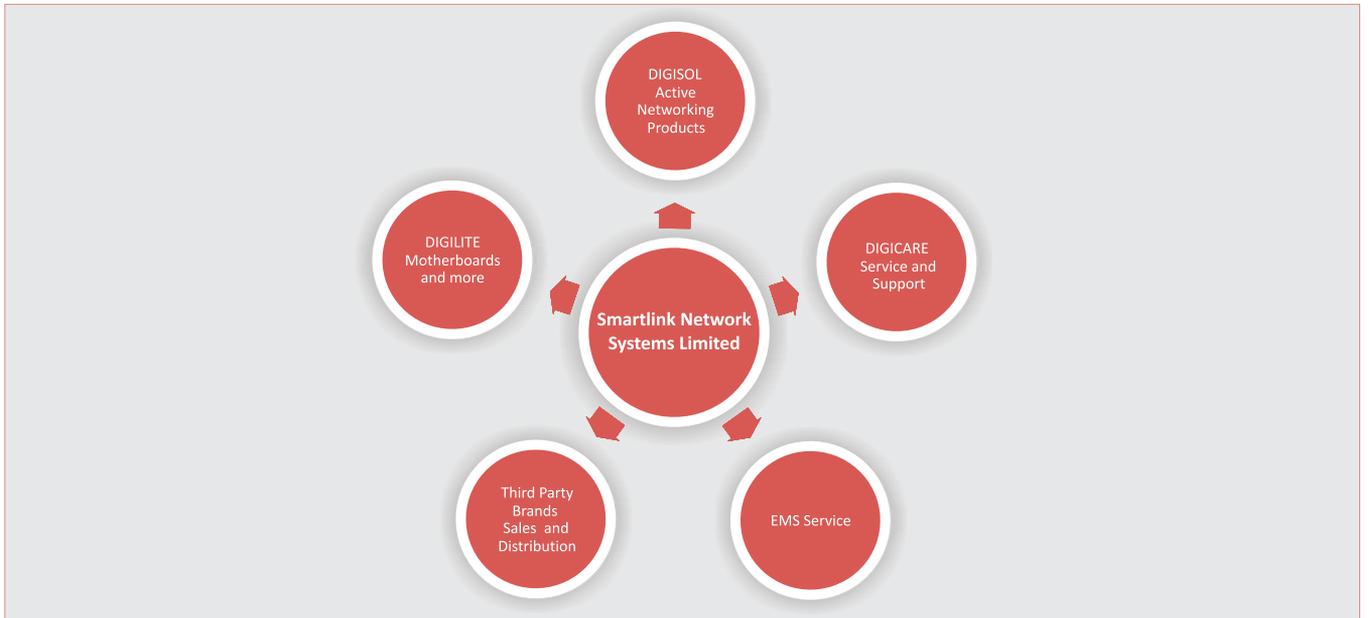
DIGICARE Mission

- To provide best possible service to all our valued customers
- To adhere to deadlines & provide efficient service.
- To grow & reach every corner of India for better service to the customer

<p>RMA Service and Support Centre</p> <p>64 locations across India</p>	<p>DTAC Technical Assistance Centre</p> <p>24x7</p>	<p>DSD Direct Service Division</p> <p>Toll free number: 1800 209 3444</p>
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Smartlink Business Model



Awards & Recognitions

		
<p>DIGISOL No.1 in Home Networking, CRN Channel Champion Award 2011</p>	<p>DIGILITE Fastest Selling Brand in Motherboards, 10th VARIndia Star Nite Awards 2011</p>	<p>DIGISOL 'Best End-to-End Switching Solution' Brand, 10th VAR India Star Nite Awards 2011</p>
		
<p>DIGISOL Most Promising Networking Brand, ITPV Partners leadership Award 2011</p>	<p>DIGICARE Best Post Sales Services (RMA), 10th VARIndia Star Nite Awards 2011</p>	<p>DIGILITE Best Motherboard Debut Award, ITPV Partners leadership Award 2011</p>
		
		<p>SMARTLINK Fastest growing Indian IT company, 10th VARIndia Star Nite Awards 2011</p>

Board of Directors



K. R. Naik – Executive Chairman

Mr. K. R. Naik is the founder of Smartlink Network Systems Ltd. He joined the Company as the Director on 31st 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.



Jangoo Dalal

Mr. Jangoo Dalal is an industry veteran and brings with him 25 years of industry experience from organizations like Wipro Infotech, Wipro British Telecom, Cisco Systems, erstwhile D-Link (India) Ltd. and Avaya India Pvt. Ltd. He holds a Bachelors Degree in Science and Master of Management Studies (MBA) with specialization in Marketing from Mumbai University.



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.



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 36 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 Fibre Marketing Division. Today he is a Freelance Consultant.



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.

FINANCIAL INFORMATION



Directors' Report

TO THE MEMBERS,

The Board of Directors of your Company take pleasure in presenting their 19th Annual Report together with Audited Balance Sheet and Statement of Profit & Loss for the financial year ended 31st March, 2012.

1. FINANCIAL RESULTS AND APPROPRIATIONS

(Rs. in million)

	2011-12	2010-11
A. Continuing Operations		
Income from operations (Gross)	727.81	367.90
Other Income	309.80	54.92
Profit / (Loss) Before Exceptional item, Depreciation and Tax	1.62	(45.82)
Add: Exceptional Item	4709.51	-
Profit / (Loss) Before Depreciation and Tax	4711.13	(45.82)
Less: Depreciation for the year	42.98	63.32
Profit / (Loss) Before Tax	4668.15	(109.14)
Less: Provision for Tax		
a) Current Tax	1017.50	52.70
b) Deferred Tax	(8.75)	(8.53)
c) Tax adjustment of Previous Year	1.35	1.46
Profit / (Loss) After Tax	3658.05	(49.39)
B. Discontinuing Operations		
Profit Before Tax from Discontinuing operations	7.73	321.79
Provision for Tax		
a. Current Tax	2.50	107.70
b. Deferred Tax	(1.21)	(0.91)
Profit after Tax from Discontinuing Operations	6.43	215.00
Net Profit for the Year	3664.48	165.61
Balance of profit brought forward	1112.57	1033.26
Amount available for Appropriations	4777.05	1198.87
Appropriations :		
- Transfer to General Reserve	366.45	16.56
- Special Interim Dividend	900.14	-
- Final Dividend	60.01	60.01
- Corporate Dividend Tax	155.76	9.73
Balance carried forward to Balance Sheet	3294.69	1112.57
Earnings per Share (Rs.)	122.13	5.52

2. SIGNIFICANT DEVELOPMENTS

The Board of Directors at its meeting held on 31st March, 2011 had signed the Business Transfer Agreement and approved the sale of Structured cabling business comprising of structured cabling products carried under the brand name "DIGILINK" hereinafter referred as ("Digilink Business") to Schneider Electric India Private Limited ("Schneider"). The shareholder's approval was received vide Postal Ballot on 11th May, 2011. The "Digilink Business" together with its respective assets and liabilities was transferred to Schneider for a cash consideration of Rs. 5030 million on a slump sale basis to be adjusted for necessary working capital adjustment. The aforesaid consideration was received on 13th May, 2011 and the balance consideration on working capital adjustment was received in September, 2011. The Profit on sale of Digilink Business amounting to Rs. 4709.51 million is shown as an exceptional item.

Consequent to the sale, the company continues to operate in its existing business in the Products business under the brand name "DIGISOL" and "DIGILITE" and the Service business under the brand name "DIGICARE".

In the financial year 2011-12, the company achieved Income from Continuing operations of Rs. 727.81 million representing a growth of 97.8% as compared to Rs. 367.90 million in the previous year.

Loss before Exceptional items and tax came down to Rs. 41.36 million for the year ending 31st March, 2012 as compared to Rs.109.14 million in the previous year.

Profit after tax and exceptional items increased to Rs. 3664.48 million for the year ended 31st March, 2012 as compared to Rs. 165.61 million in the previous year.

Organisational Changes

The Board of Directors has appointed Mr. Bimal Raj as the Chief Executive Officer – Products and Services with effect from 2nd April, 2012. Mr. Bimal Raj is a senior management professional with substantial management and leadership experience in large, dynamic organizations and brings with him more than 24 years of experience in the IT industry having worked in the areas of sales & marketing, identifying new technology areas and revenue streams, strategic planning and development.

The Board of Directors has also appointed Mr. Jango Dalal, Director of the Company subject to various statutory approvals as a Products and Service Business Consultant, for a period of three years.

These changes should help the Company to focus on growing the existing business in the coming years.

3. DIVIDEND

Your Directors have recommended for your consideration a final dividend of Rs. 2/- per share (100%) for the year 2011-12. This is in addition to the Special Interim Dividend of Rs.30/- per share (1500%) already paid during the year. The total dividend paid/payable for the year works out to Rs. 32/- per share .

4. 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.

5. 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 Company is substantially complying with the recommendations on Audit committee and whistle blower policy as contained in the Voluntary Guidelines and is taking steps towards implementation of other guidelines.

6. AWARDS & RECOGNITION

All the Company’s products sold under the various brands have been acknowledged through numerous awards and prestigious accolades in 2011-12. The various awards and recognition received have been included in the Management Discussion and Analysis Report.

7. DIRECTORS

Mr. Pankaj Baliga and Prof. R. T. Krishnan, Directors of the Company who retire by rotation at the forthcoming Annual General Meeting and being eligible Mr. Pankaj Baliga offers himself for re-appointment. However Prof. R. T. Krishnan has conveyed that,

he does not seek to be re-appointed. The Board of Directors places on record its appreciation for his valuable contribution and guidance to the Board and Management.

8. 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.

9. AUDITORS

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

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

A. CONSERVATION OF ENERGY

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 Low power consuming LED light fixtures for outdoor lighting.

In continuance of the energy conservation initiative and commitment to compliance of ozone depleting substance rules, your company successfully completed the modernization of one chiller unit of the Air Conditioning system at its factory in Goa.

B. RESEARCH & DEVELOPMENT & TECHNOLOGY ABSORPTION

The Company is constantly taking steps in technological up gradation and development of new products, processes and applications. Initiatives have also been taken by the Company to get its Goa infrastructure facilities and products approved by various Independent agencies such as Telecommunication Engineering Center, DGS&D and RDSO.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total foreign exchange earnings and outgo is stated in Note 37 forming part of the Accounts.



11. 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.

12. 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, Smartlink 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 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, and accordingly the Balance Sheet, Statement of Profit and Loss 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 Smartlink 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.

13. 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, 2012 and the profit of the Company for the financial year ending on March 31, 2012.
- 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.

14. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continuing support and co-operation from the customers, vendors, dealers, distributors, resellers, bankers and shareholders, Goa Industrial Development Corporation, State Industries and Electricity Departments.

Your Directors also take this opportunity to thank the employees for their dedicated service and continued excellent work throughout the year.

For and on behalf of the Board

Place : Mumbai
Dated : 8th May, 2012

K. R. NAIK
Executive Chairman

Management Discussion and Analysis

ECONOMIC OVERVIEW

The Indian economy was affected during the year 2011-12 by the global economic environment, which was tenuous throughout the year, and turned sharply adverse in September 2011 owing to the turmoil in the Eurozone, as well as questions about the outlook on the US economy provoked by rating agencies. Hence, the Indian economy, which was expected to grow around 9%, saw a sharp fall in growth, and was expected to end the year with a growth rate of only 6.9% (Source: THE ECONOMIC SURVEY, 2011-12). India's economic growth rate of 6.9% for the year is one of the lowest during the period 2003-12 (except 2008-09). The economy is expected to grow only by 7.6% in 2012-13, which is substantially lower than the growth rates that we have seen in the previous ten years. However, for the Indian economy, the outlook for growth and price stability at this juncture looks promising as compared to many other countries in the world as there are signs that the weakness in economic activity has bottomed out and a gradual upswing is imminent.

MARKET OPPORTUNITIES

All categories in the networking market are poised for growth in India, which mirrors the trends seen in other BRIC countries. Let us take the case of the routing and switching market, which still forms the bulk of the networking expenditure. Research firm Ovum has projected an upbeat long-term forecast for optical networking equipment driven by the constant need for bandwidth and it expects this market to reach \$20 billion by 2015. According to a Morgan Stanley CIO survey, 35% of IT professionals said that they expected to increase LAN switching investments in 2012. Dell'Oro estimated that the total addressable switching, routing, security, wireless and WAN optimization market will be worth \$40 billion in the next three years, growing at a 12% CAGR.

Similarly, a recent Infonetics report pointed out that the router market was expected to grow by 12% this year. Data from Springboard Research has estimated that the market for enterprise networking equipment in India is expected to grow to \$1.7 billion by 2012.

The fortunes of the Indian peripherals market declined last year as massive floods in the global manufacturing hub of Thailand disrupted supplies to PC makers and other hardware companies.

2011 was a rough ride for the Indian PC peripheral market, as sluggish growth in the domestic and global economies combined with natural disasters caused alarm in the industry. The size of the Indian motherboard market is estimated to be around 3.2-3.5 million

units based on projections by IDC and Gartner for the white-box PC market 2011. It is expected that the numbers would remain constant in terms of growth in the year 2012 as well as with the total market estimated around Rs 1,000 crore. (Source: Express Computer)

BUSINESS OVERVIEW

BRAND DIGISOL

The DIGISOL brand was launched in the third quarter of FY 2010. The brand DIGISOL consists of products and solutions in the active networking domain. Smartlink has been associated with the Indian networking industry since the year 1993 and has leveraged its strong and rich knowledge in active networking product line. DIGISOL has a superior range of technologically-enriched products which caters to a wide base of users and end-customers ranging from enterprises to SOHO and home customers. In the year 2011 Smartlink re-aligned and further strengthened its focus on the brand, which has resulted in its strong growth in a relatively short span of time.

GO TO MARKET FOR DIGISOL

Smartlink has well-conceived branding strategies, coupled with a business framework that delivers value, quality, efficacy and quality service. This is the key to our success in a market flooded with numerous brands. Also integral to our business model is a widespread marketing and distribution network that ensures deeper market penetration.

We will consistently adopt a 360 degree approach to address all types of channels, across markets, covering global, regional and small SI's and resellers. In the first year, we have been working largely on visibility amongst channel communities coupled with strong channel engagement programs. Going forward in this new financial year we will continue to work closely with channel partners and customers, and in the consumer space.

With a wide offering of networking products and solutions under the DIGISOL brand, Smartlink is aligning its teams in Channel and Enterprise solutions and sales. This involves developing appropriate channel partners and empowering their sales teams to offer the best of Network infrastructure solutions to their customers.

BRAND DIGILITE

With our wide experience of building brands in motherboard & peripherals category, DIGILITE is the newly introduced motherboard & peripheral brand of Smartlink Network Systems Ltd. DIGILITE provides the best-in-class motherboards and user technology. DIGILITE has a significant competitive edge, as the company has



more than two decades of experience in manufacturing motherboards in India. DIGILITE currently offers robust INTEL & AMD roadmaps with latest products available across points-of sale.

GO TO MARKET FOR DIGILITE

Smartlink intends to provide continued and sustained channel promotion for DIGILITE. The brand offers a strong and localized supply chain of component products to ensure just-in-time delivery to customers, dedicated tech support at BIOS & design levels.

DIGILITE motherboards are positioned close to market leaders but with additional features to ensure price/performance value addition, which helps reduce the Total Cost of Ownership (TCO) in the long term. One of the strengths of the DIGILITE range of products is its strong channel base of national and regional distributors across India. This consists of INGRAM MICRO as a distribution partner and 34 re-distribution partners backed by strong service support network provided by the in-house DIGICARE support facility.

As part of our future strategy, we will continue to widen the DIGILITE product portfolio, and introduce products to component and peripheral segments in order to further penetrate the market.

BRAND DIGICARE

Our services have been well recognized as one of the best in the industry, with this we created DIGICARE as a service brand of Smartlink. DIGICARE provides effective and efficient repair and logistics service nationally backed by state-of-the-art infrastructure and skilled human resources. DIGICARE offers first-rate integrated service and support, which consists of RMA centres, DIGICARE Technical Assistance Centre (DTAC) and Direct Service Department (DSD).

STRENGTHENING OF DIGICARE

Over the years, DIGICARE has attained exceptionally well-established repair skill sets for complete networking products, motherboards, notebooks, PDAs and LCD monitors. We offer reliable, timely and cost effective end-to-end service for products which are the key drivers towards achieving customer delight.

DIGICARE has evolved a highly efficient, skilled and professional service infrastructure. It has 18 Direct RMA/Service centres and 46 Service Partners across the country, for a total of 64 access points. DIGICARE service caters to several top global companies and will continue to grow steadily.

AWARDS AND ACCOLADES

Smartlink and its brands have been bestowed with numerous acknowledgements and awards.

AWARD TO SMARTLINK

- 'Fastest growing Indian IT company'
- 10th VARIndia Star Nite Awards 2011

AWARDS TO DIGISOL

- 'No.1 Home Networking Brand for the year 2012'
- CRN Channel Champion Award by CRN
- 'Most Promising Networking Brand'
- ITPV Partners Leadership Award 2011
- 'Best End-to-End Switching Solution Brand'
- 10th VARIndia Star Nite Awards 2011

AWARDS TO DIGILITE

- 'Fastest Selling Brand in Motherboards'
- 10th VARIndia Star Nite Awards 2011
- 'Best Motherboard Debut Award'
- ITPV Partners leadership Award 2011

AWARDS TO DIGICARE

- 'Best Post Sales Services (RMA)'
- 10th VARIndia Star Nite Awards 2011

SMARTLINK STRENGTHS

MANUFACTURING

Our state-of-the-art manufacturing facility at Goa incorporates the latest technology and the most sophisticated equipments, with all products 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 9001:2008 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.



HUMAN RESOURCES

Smartlink is an equal-opportunity employer, and human values form the backbone of the organization. Smartlink has always focused on developing its employees and enhancing their capabilities. The key element of Smartlink's Human Resource strategy is to provide a working environment that encourages innovation, enhances work satisfaction and builds 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, 2012, the Company had 497 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.

FINANCIAL PERFORMANCE

Income from Operations : The Company's Income from Operations (Gross) was Rs. 727.81 million for the current year as compared to Rs. 367.90 million for the previous year registering a growth of 97.8%.

Loss Before Tax and Exceptional Items: Loss before tax and Exceptional items came down significantly to Rs. 41.36 million for the current year as compared to Rs.109.14 million in the previous year.

Exceptional items : Exceptional items of Rs. 4709.51 million represents gain from the sale of DIGILINK Business to Schneider Electric India Pvt. Limited.

Profit After Tax: Profit after Tax (including exceptional items) of the Company increased to Rs. 3664.48 million during the current year from Rs. 165.61 million in the previous year.

RISKS AND CONCERNS

The Company is in the Networking Industry which has some inherent risks and uncertainties. Some of the risks which are faced by the Company are:

1. The Networking industry primarily depends on imports of raw materials and components and is exposed to fluctuations in foreign currency. The currency fluctuations, mainly Rupee depreciation against the US Dollar affects the company substantially as it increases the price of material cost and thereby impacting the overall profitability.

The Company has taken effective steps to reduce the risks arising out of exchange fluctuation and constantly monitors the exchange rate situation.

2. The Company operates in a highly competitive industry and faces competition in the marketplace from international as well as domestic companies, small and large.

Smartlink's main strength lies in its wide product range backed by latest technology, in-house manufacturing facilities and customer service through nationwide service centers. The Company with its extensive distribution network backed by prompt after sales service is in a position to mitigate the risks of competition.

3. The networking industry is subject to constant technological changes and has high level of obsolescence and these have a bearing on the Company's business and profitability.

The Company's Product Management Team reviews company's products on a constant basis and develops products to meet the latest technological trends in the networking and IT industry.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACIES

The Company has appointed an independent internal audit firm which conducts a complete review of all transactions throughout the year to ensure that they are properly authorized and recorded in the books of accounts. The Internal Audit firm directly reports to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the internal control systems and procedures and reviews the steps taken to implement the recommendations made by the internal auditors.

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 4 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 Director*
Mr. Dattaraj Salgaocar	Non-Executive and Independent

* Mr. Pradeep Rane was an independent director upto 31st July, 2011.

b) Attendance of each Director at the Board Meeting 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	6	6	Present
2. Mr. Jangoo Dalal	6	4	Absent
3. Mr. K.M. Gaonkar	6	6	Present
4. Mr. Pankaj Baliga	6	6	Present
5. Prof. R. T. Krishnan	6	6	Present
6. Mr. Pradeep Rane	6	6	Present
7. Mr. Dattaraj Salgaocar	6	1	Absent

c) Number of other Directorships 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 Meetings

The gap between two Board Meetings did not exceed four months. Six Board Meetings were held during the Financial Year 2011-12 on the following dates:

May 12, 2011	October 22, 2011
May 23, 2011	January 23, 2012
July 29, 2011	March 30, 2012

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

- 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 Auditors and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for 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 composition of the Audit Committee is as under:

Mr. Pankaj Baliga - *Chairman*

Prof. R. T. Krishnan

Mr. K. M. Gaonkar

Mr. Pradeep Rane

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	4
Mr. K. M. Gaonkar	4	4
Mr. Pradeep Rane	4	4

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 May 23, 2011 and March 15, 2012 during the year.

The remuneration paid to the Directors for the year ended 31st March, 2012 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. 2,100,000/-

Remuneration aggregating to Rs.3,761,250/- initially paid which was in excess of the limits specified in Schedule XIII of the Companies Act, 1956 has been recovered from Mr. K. R. Naik, the Executive Chairman after 31st March, 2012.

Salient features of terms of appointment;

Particulars	Mr. K. R. Naik
Salary	Rs.600,000/- to Rs.1,000,000/- per month
Perquisites	In addition to salary the perquisites shall be paid as approved by the shareholders at the annual general meeting held on July 30, 2011.
Commission	Nil
Variable/ Performance Pay	Nil
Terms of appointment	Re-appointed for a period of five years with effect from December 26, 2011.
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 July 30, 2011 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 2011-12 the Board has decided not to pay any commission to the Non-Executive Directors due to operating losses for the year.

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

Non-Executive Directors	Sitting Fees
Mr. K.M. Gaonkar	Rs. 225,000/-
Mr. Pankaj Baliga	Rs. 225,000/-
Prof. R. T. Krishnan	Rs. 200,000/-
Mr. Pradeep Rane	Rs. 215,000/-
Mr. Jangoo Dalal	Rs. 80,000/-
Mr. Dattaraj Salgaocar	Rs. 20,000/-

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 towards Special Interim Dividend 2011-12	Amount of Dividend Paid towards Dividend for 2010-11	Total amount of Dividend Paid during the year 2011-12
Mr. K. M. Gaonkar	86,962	2,608,860	173,924	2,782,784
Mr. Dattaraj Salgaocar	30,000	900,000	60,000	960,000
Mr. Pankaj Baliga	Nil	Nil	Nil	Nil
Prof. R. T. Krishnan	Nil	Nil	Nil	Nil
Mr. Pradeep Rane	Nil	Nil	Nil	Nil
Mr. Jangoo Dalal	60,000	1,800,000	120,000	1,920,000

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. M. Gaonkar

Mr. K. R. Naik

Meetings and Attendance during the year

Members	Meetings held	Meetings attended
Mr. Pankaj Baliga	2	2
Mr. K. M. Gaonkar	2	2
Mr. K. R. Naik	2	2

The Investors Grievance Committee meeting was held on October 22, 2011 and November 18, 2011 during the year.

Name and Designation of Compliance Officer - Mr. K. G. Prabhu, Company Secretary

During the year, the Company had received 140 complaints from the shareholders and the same were attended and resolved to the satisfaction of the shareholders.

6. General Body Meetings

A) Location and time, where last three AGMs were held:

Location	Date	Time
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.
L-7, Verna Industrial Estate, Verna Plateau, Verna, Goa-403722	July 30, 2011	11.00 a.m.

B) Whether Special Resolutions passed: Yes

Special Resolutions passed by the company at the last Annual General Meeting held on July 30, 2011 are as under:	
a) 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 for a further period of 5 years commencing from the Financial Year beginning 1st April, 2011	
Whether Special Resolutions passed at the AGM held on July 24, 2010:	Yes
Special Resolutions passed by the company at the 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.	
Whether Special Resolutions passed at the AGM held on September 23, 2009:	Yes
Special Resolutions passed by the company at its Annual General Meeting held on 23rd 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).	

C) Details of Ordinary Resolution passed through Postal Ballot

Type of Meeting	Postal Ballot
Name of Scrutinizer for conducting Postal Ballot	Mr Shivaram Bhat, Practicing 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 the Postal Ballot	Under Section 293 (1) (a) of the Companies Act, 1956 (the "Act") and Section 192A, of the Act, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001 to convey, transfer, assign, deliver or otherwise dispose off 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.

D) Whether any Special Resolution is 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.

- None

- 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	www.smartlink.co.in
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 : July 28, 2012

Time : 11.00 a.m.

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

2. Financial Year

Particulars	Date
First Quarter Results	On or before August 14, 2012
Second Quarter Results	On or before November 14, 2012
Third Quarter Results	On or before February 14, 2013

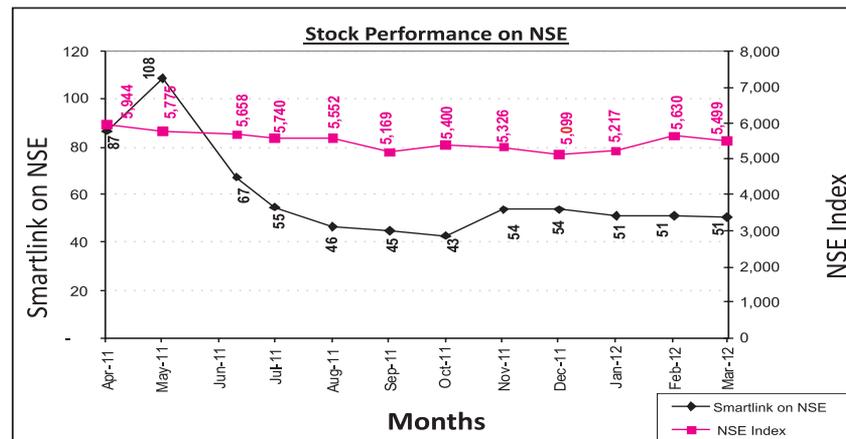
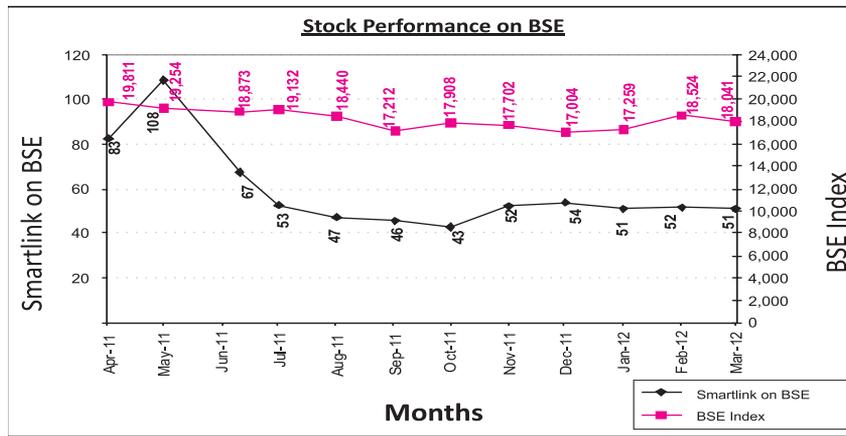
3. Dates of Book Closure

July 11, 2012 to July 18, 2012 (both days inclusive)

4. Market Price Data

Stock High/Low price during each month in the last financial year 2011-2012 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-11	82.60	63.05	19811.14	18976.19	86.70	63.05	5944.45	5693.25
May-11	108.40	65.00	19253.87	17786.13	108.40	60.15	5775.25	5328.70
Jun-11	67.35	44.40	18873.39	17314.38	67.40	45.10	5657.90	5195.90
Jul-11	52.85	45.65	19131.70	18131.86	54.70	45.80	5740.40	5453.95
Aug-11	47.00	38.50	18440.07	15765.53	46.45	38.25	5551.90	4720.00
Sep-11	45.55	38.65	17211.80	15801.01	45.10	39.00	5169.25	4758.85
Oct-11	42.95	38.00	17908.13	15745.43	43.00	38.35	5399.70	4728.30
Nov-11	52.25	39.50	17702.26	15478.69	53.80	39.55	5326.45	4639.10
Dec-11	53.50	45.25	17003.71	15135.86	54.00	45.00	5099.25	4531.15
Jan-12	51.00	44.75	17258.97	15358.02	51.00	45.25	5217.00	4588.05
Feb-12	51.50	45.90	18523.78	17061.55	50.90	45.00	5629.95	5159.00
Mar-12	50.80	43.65	18040.69	16920.61	50.75	43.45	5499.40	5135.95



5. Dividend Payment Date

The Dividend payment will be made to all eligible shareholders on or after 30th July, 2012.

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 from April 11, 2001. The listing fees for the financial year 2012-13 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 31st March, 2012

Sr. No.	Category (Shares) From To	Number of Shareholders	No. of Shares	% To Equity Capital
1	1 - 500	14647	1,918,407	6.39
2	501 - 1000	887	740,729	2.47
3	1001 - 2000	368	577,597	1.93
4	2001 - 3000	121	306,700	1.02
5	3001 - 4000	44	159,952	0.53
6	4001 - 5000	45	212,521	0.71
7	5001 - 10000	99	761,200	2.54
8	10001 and above	87	25,327,744	84.41
	TOTAL	16,298	30,004,850	100.00

11. Shareholding Pattern as On 31st March, 2012

Sr. No.	Category Of Shareholders	Total Holdings	Holdings in %
1	Shareholding of Promoter and Promoter Group	21,692,000	72.29
2	Financial Institutions / Banks	2,030	0.01
3	Bodies Corporate	1,001,240	3.34
4	Individuals	6,705,104	22.35
5	Clearing Members	18,749	0.06
6	Trusts	341,375	1.14
7	NRI's	244,352	0.81
	Total	30,004,850	100.00

12. Dematerialization of Shares and Liquidity

The total number of shares in dematerialized form as on 31st March, 2012 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 Smartlink Network Systems Limited L-7, Verna Industrial Estate, Verna, Salcete, Goa - 403722 Phone Nos: 0832-2885450/451 Fax Nos: 0832-2783395 E-mail: Company.Secretary@digisol.com	Karvy Computershare Private Limited Unit : Smartlink Network Systems Limited 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 for 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: 8th May, 2012

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, 2012.

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 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 condition 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

8th May, 2012

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 31st March, 2012, 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: 8th May, 2012

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, 2012, the Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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, 2012;
 - (ii.) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii.) in the case of the Cash-flow statement, of the cash-flows for the year ended on that date.
5. On the basis of written representations received from the Directors, as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 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: 8th May, 2012

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 the 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 were physically verified during the year by the Management at reasonable intervals.
 - (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 the 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 in 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 cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 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, 2012 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, 2012 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/-
Income Tax, Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	2007-08	30,297,980/- (Net of Rs. 10,000,000/- of pre-deposit)

- 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: 8th May, 2012

A. B. Jani
Partner
Membership no. 46488

Balance Sheet as at 31st March, 2012

Particulars	Note No.	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
I EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	60,009,700	60,009,700
(b) Employee stock options outstanding	37 g	13,715,716	13,715,716
(c) Reserves and surplus	4	4,171,234,039	1,623,444,209
		<u>4,244,959,455</u>	<u>1,697,169,625</u>
(2) Non-current liabilities			
(a) Deferred tax liabilities (Net)		-	9,955,806
(b) Other Long term liabilities	5	2,835,604	2,487,369
(c) Long-term provisions	6	7,811,213	9,680,861
		<u>10,646,817</u>	<u>22,124,036</u>
(3) Current liabilities			
(a) Trade payables	7	120,959,455	229,052,777
(b) Other current liabilities	8	39,647,396	40,603,631
(c) Short-term provisions	9	74,167,340	77,655,324
		<u>234,774,191</u>	<u>347,311,732</u>
Total		<u>4,490,380,463</u>	<u>2,066,605,393</u>
II ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10 a	295,952,231	376,547,450
(ii) Intangible assets	10 b	10,807,917	599,188
(iii) Capital work-in-progress		4,934,498	-
(b) Non-current investments	11	18,208,800	18,208,800
(c) Long-term loans and advances	12	50,548,003	37,969,954
		<u>380,451,449</u>	<u>433,325,392</u>
(2) Current assets			
(a) Current investments	13	1,586,210,626	881,535,892
(b) Inventories	14	329,591,169	222,619,697
(c) Trade receivables	15	156,473,127	353,675,081
(d) Cash and cash equivalents	16	1,977,575,552	130,422,298
(e) Short-term loans and advances	17	60,078,540	45,027,033
		<u>4,109,929,014</u>	<u>1,633,280,001</u>
Total		<u>4,490,380,463</u>	<u>2,066,605,393</u>

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

A. B. Jani
Partner

Mumbai, dated: 8th May, 2012

For and on behalf of the Board

K. R. Naik
Executive Chairman

K. G. Prabhu
Company Secretary

Mumbai, dated: 8th May, 2012

Pankaj Baliga
Director

Bhushan Prabhu
Chief Financial Officer

Statement of Profit and Loss for the year ended 31st March, 2012

Particulars	Note No.	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
A CONTINUING OPERATION			
I Revenue from operations (gross)	18	727,809,215	367,903,306
Less : Excise duty		33,894,600	16,506,080
Revenue from operations (net)		693,914,615	351,397,226
II Other income	19	309,799,136	54,918,134
III Total Revenue (I + II)		<u>1,003,713,751</u>	<u>406,315,360</u>
IV Expenses :			
Cost of raw materials consumed	35	291,772,691	107,301,922
Purchases of traded goods	36	339,167,466	76,948,225
(Increase) in inventories of finished goods, work-in-progress and traded goods	20	(174,631,517)	(34,502,029)
Employee benefits expenses	21	258,858,179	175,266,898
Finance costs	22	526,450	1,298,400
Depreciation and amortisation expenses	10 c	42,980,171	63,316,411
Other expenses	23	286,400,779	125,825,214
Total Expenses		<u>1,045,074,219</u>	<u>515,455,041</u>
V (Loss) before exceptional items and tax (III - IV)		<u>(41,360,468)</u>	<u>(109,139,681)</u>
VI Exceptional items	33	4,709,508,545	-
VII Profit / (Loss) before tax (V + VI)		<u>4,668,148,077</u>	<u>(109,139,681)</u>
VIII Tax Expenses			
- Current tax		1,017,500,000	(52,700,000)
- Short provision for taxes in respect of earlier years		1,354,741	1,476,514
- Net current tax expense		1,018,854,741	(51,223,486)
- Deferred tax		(8,747,173)	(8,527,728)
		<u>1,010,107,568</u>	<u>(59,751,214)</u>
IX Profit / (Loss) from continuing operations (after tax) (VII - VIII)		<u>3,658,040,509</u>	<u>(49,388,467)</u>
B DISCONTINUING OPERATIONS			
X Profit from discontinuing operations (before tax)	33	<u>7,726,294</u>	<u>321,792,965</u>
XI Tax expense of discontinuing operations			
- Current tax		2,500,000	107,700,000
- Deferred tax		(1,208,633)	(907,789)
		<u>1,291,367</u>	<u>106,792,211</u>
XII Profit from discontinuing operations (after tax) (X - XI)		<u>6,434,927</u>	<u>215,000,754</u>
XIII Profit for the year (IX + XII)		<u>3,664,475,436</u>	<u>165,612,287</u>
XIV Earnings per equity share (Face value of Rs. 2/- per share)			
Basic and Diluted	30	<u>122.13</u>	<u>5.52</u>
See accompanying notes forming part of the Financial Statements			

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

A. B. Jani
Partner
Mumbai, dated: 8th May, 2012

For and on behalf of the Board

K. R. Naik
Executive Chairman

K. G. Prabhu
Company Secretary
Mumbai, dated: 8th May, 2012

Pankaj Baliga
Director

Bhushan Prabhu
Chief Financial Officer

Cash flow statement for the year ended 31st March, 2012

	For the Year Ended 31st March, 2012 Rupees	For the Year Ended 31st March, 2011 Rupees
A. Cash flows from operating activities		
Profit / (Loss) before tax	4,675,874,371	212,653,284
Adjustments for:		
Non cash items		
Depreciation	44,953,064	75,763,107
Loss on sale of fixed assets (net)	2,104,375	2,425,524
(Profit) on sale of current investment (non-trade) (net)	(17,835,079)	(3,014,889)
Provision for diminution in value of current investments (non-trade) (net)	3,157,363	95,489
Provision for Gratuity	(2,625,809)	2,438,814
Provision for doubtful debts and advances	36,735	-
Bad debts written off	975,661	5,970,463
Sundry balances written off	2,366,240	-
Unrealised exchange differences	(2,060,230)	(1,886,615)
Provision for doubtful debts and advances written back	-	(1,700,348)
Provision for Leave encashment written back	(146,737)	(162,942)
Provision for wealth tax	161,658	205,421
Profit on sale of discontinued business (net)	(4,709,508,545)	-
Sundry balances written back	(991,075)	(331,003)
Interest and finance charges	526,450	2,216,715
Interest income	(110,466,187)	(1,392,978)
Dividend income	(171,657,011)	(49,804,095)
Operating profit before working capital changes	(285,134,756)	243,475,947
Decrease / (Increase) in trade receivables	19,720,965	(89,035,227)
(Increase) in inventories	(359,519,644)	(51,297,832)
(Increase) / Decrease in loans and advances	(38,786,516)	28,333,519
Increase in trade and other payables	60,575,383	34,818,558
Cash generated from Operations	(603,144,568)	166,294,965
Direct taxes paid	(1,027,647,161)	(46,666,003)
Net cash from operating activities	(1,630,791,729)	119,628,962
B. Cash flows from investing activities		
Purchase of fixed assets	(34,193,039)	(37,692,224)
Purchase of investments	(8,576,852,444)	(4,195,413,974)
Investment in subsidiary	-	(18,208,800)
Sale of fixed assets	446,911	818,845
Sale of investments	7,886,855,427	4,243,269,897
Proceeds from sale of discontinued business	5,034,674,117	-
Dividend received	171,657,011	49,804,095
Interest received	35,504,168	4,183,928
Net cash (used in) / from investing activities	4,518,092,151	46,761,767
C. Cash flows from financing activities		
Dividend paid	(1,115,916,378)	(87,470,701)
Interest paid	(526,450)	(2,216,715)
Net cash (used in) financing activities	(1,116,442,828)	(89,687,416)
Net (Decrease) / increase in cash and cash equivalents	1,770,857,594	76,703,313
Cash and cash equivalents at the beginning of the year	129,296,616	52,593,303
Cash and cash equivalents at the end of the year	1,900,154,210	129,296,616
Note :		
1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Note 16 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.2,700,916/- (previous year Rs.1,817,563/-).		
4. Also refer note 33		
5. Reconciliation of cash and cash equivalents		
As per Cash-flow statement	1,900,154,210	129,296,616
Add : Unrealised exchange differences	1,567,277	233,636
Add : Interest accrued on bank deposits	75,854,065	892,046
As per Balance sheet - Note 16	1,977,575,552	130,422,298

As per our attached report of even date

 For **Deloitte Haskins & Sells**
 Chartered Accountants

A. B. Jani
 Partner

Mumbai, dated: 8th May, 2012

For and on behalf of the Board

K. R. Naik
 Executive Chairman

K. G. Prabhu
 Company Secretary

Mumbai, dated: 8th May, 2012

Pankaj Baliga
 Director

Bhushan Prabhu
 Chief Financial Officer

Notes forming part of the financial statements

NOTE 1: BACKGROUND OF THE COMPANY

Smartlink Network Systems Limited ("Company") was incorporated on 31st March, 1993. The Company is in the business of developing, manufacturing, marketing, distributing and servicing of networking products.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting and preparation of financial statements

The financial statements 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. The financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956.

(b) 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.

(c) 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.

(d) 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.

(e) 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:

<u>Asset Description</u>	<u>Useful life</u>
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

(f) Impairment of assets

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 Statement of Profit and Loss 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.

(g) Investments

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

Notes forming part of the financial statements

(h) 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.

(i) Revenue recognition

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

(j) 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.

(k) 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.

(l) 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.

(m) 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 Statement of Profit and Loss. Grants in the nature of promoter's contribution are treated as Capital reserve.

(n) Taxes on income

Current Income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the 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 31 below).

(o) 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.

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 3: SHARE CAPITAL		
<u>Authorised</u>		
35,000,000 Equity Shares of Rs.2/- each	70,000,000	70,000,000
<u>Issued, subscribed and paid-up</u>		
30,004,850 Equity Shares of Rs.2/- each, fully paid-up	60,009,700	60,009,700
Total	60,009,700	60,009,700

a) Terms / rights attached to equity shares

The Company has only one class of Equity Shares having a par value of Rs. 2/- per share. Each holder of equity shares is entitled to one vote per share and each equity share carries an equal right to dividend.

b) Details of shareholders holding more than 5% shares in the company.

	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs.2/- each fully paid up				
Mr. Kamalaksha R. Naik	15,645,873	52.14%	14,458,175	48.19%
Ms. Arati K. Naik	2,402,622	8.01%	2,100,340	7.00%
Mrs. Lakshana A. Sharma	1,800,291	6.00%	1,800,291	6.00%
Mrs. Sudha K. Naik	1,500,243	5.00%	1,500,243	5.00%

NOTE 4: RESERVES AND SURPLUS

	Rupees	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
<u>Capital Reserve</u>			
State Government subsidy As per last Balance sheet		2,500,000	2,500,000
<u>Securities Premium Account</u>			
As per last Balance sheet		278,614,693	278,614,693
<u>Revaluation Reserve</u>			
As per last Balance sheet	39,491,208		40,260,436
Less: Utilised for set off against depreciation. (Refer Note 10 c)	769,228		769,228
		38,721,980	39,491,208
<u>General Reserve</u>			
As per last Balance sheet	190,272,727		173,711,498
Add: Transferred from Surplus in Statement of Profit and Loss	366,447,544		16,561,229
Closing balance		556,720,271	190,272,727
<u>Surplus in Statement of Profit and Loss</u>			
As per last Balance sheet	1,112,565,581		1,033,259,297
Add : Profit for the year	3,664,475,436		165,612,287
Less : Appropriations			
Interim dividend	900,145,500		-
Proposed dividend [Amount per Equity share Rs.2/- (Previous year Rs.2/-)]	60,009,700		60,009,700
Corporate dividend tax	155,761,178		9,735,074
Transferred to General reserve	366,447,544		16,561,229
Closing balance		3,294,677,095	1,112,565,581
Total		4,171,234,039	1,623,444,209

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 5: OTHER LONG-TERM LIABILITIES		
Other payables:		
Security deposits	2,120,878	1,725,873
Unearned revenue	714,726	761,496
Total	<u>2,835,604</u>	<u>2,487,369</u>
NOTE 6: LONG-TERM PROVISIONS		
Provision for employee benefits		
For Gratuity	4,768,054	6,503,573
For Leave encashment	3,043,159	3,177,288
Total	<u>7,811,213</u>	<u>9,680,861</u>
NOTE 7: TRADE PAYABLES		
Outstanding dues of micro enterprises and small enterprises (Refer note no. 34)	29,712	1,871,731
Other trade payables	120,929,743	227,181,046
Total	<u>120,959,455</u>	<u>229,052,777</u>
NOTE 8: OTHER CURRENT LIABILITIES		
Unearned revenue	4,457,264	7,790,677
Unpaid dividends	2,700,196	1,817,563
Temporary overdrawn bank balance as per books	2,941,245	2,906,130
Advance received against insurance claim	5,000,000	-
Other payables:		
Statutory dues	17,111,264	14,935,575
Security deposits	772,766	12,313,003
Interest accrued on trade payables (Refer note no. 34)	77,392	71,578
Advance from customers	6,587,269	769,105
Total	<u>39,647,396</u>	<u>40,603,631</u>
NOTE 9: SHORT-TERM PROVISIONS		
Provision for employee benefits		
For Gratuity	1,500,000	2,390,290
For Leave encashment	1,083,619	1,096,227
Others		
For Income-tax	1,838,947	4,424,033
Proposed dividend	60,009,700	60,009,700
Corporate dividend tax	9,735,074	9,735,074
Total	<u>74,167,340</u>	<u>77,655,324</u>



Notes forming part of the financial statements

NOTE 10: FIXED ASSETS

Nature of assets	Gross block			Depreciation			Net block			
	As at 1st April, 2011	Additions	Deductions	Adjustment on slump sale	As at 31st March, 2012	For the year	Deductions	Adjustment on slump sale	As at 31st March, 2012	As at 31st March, 2011
a. Tangible assets:										
Land										
Freehold	8,791,000	-	-	-	8,791,000	-	-	-	-	-
Leasehold	15,722,538	-	-	6,444,000	9,278,538	108,207	-	515,573	8,095,047	14,131,681
Buildings										
Own use	276,651,270	-	-	25,198,306	251,452,964	5,988,800	-	5,552,516	191,733,082	217,367,672
Given under operating lease	3,752,200	-	-	-	3,752,200	948,281	-	-	1,073,604	2,678,596
Plant and machinery	245,749,062	-	-	60,244,042	183,832,757	170,774,606	1,552,524	37,946,888	151,648,017	32,184,740
Furniture and fixture	39,486,442	2,142,082	10,595,071	1,397,481	29,635,972	3,079,656	9,819,113	1,093,824	21,628,720	74,974,456
Vehicles	22,448,880	1,766,405	798,980	774,931	22,641,374	8,114,845	792,176	167,250	10,684,603	10,024,441
Office equipment	18,795,632	1,012,062	3,913,995	842,002	15,051,697	13,007,027	3,279,277	593,920	10,804,565	14,334,035
Others										
Electrical installations	44,271,522	108,985	1,881,216	2,135,709	40,363,582	26,074,708	1,392,927	1,712,766	25,959,621	18,196,814
Air conditioners	36,145,903	2,629,325	5,011,604	194,494	33,569,130	26,057,469	4,594,802	49,252	23,807,605	9,761,525
Computers	160,262,162	10,437,559	12,319,000	4,523,025	153,857,696	151,424,769	4,720,872	2,962,046	140,973,571	12,884,125
	872,076,611	18,096,418	36,192,129	101,753,990	752,226,910	495,529,161	44,980,396	50,594,035	456,274,679	295,952,231
b. Intangible assets:										
Goodwill	27,898,105	-	-	-	27,898,105	27,898,105	-	-	27,898,105	-
Computer software - acquired	38,819,996	11,162,123	2,831,565	582,400	46,568,154	38,220,808	741,896	370,902	35,760,237	10,807,917
	66,718,101	11,162,123	2,831,565	582,400	74,466,259	66,118,913	741,896	370,902	63,658,342	10,807,917
Total	938,794,712	29,258,541	39,023,694	102,336,390	826,693,169	561,648,074	45,722,292	50,964,937	519,933,021	306,760,148
Previous year	923,379,673	37,692,224	22,277,185	-	938,794,712	504,148,555	76,532,335	-	561,648,074	377,146,638

c. Depreciation and amortisation relating to continuing operation

Particulars	For the year ended 31st March, 2012		For the year ended 31st March, 2011	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Depreciation and amortisation for the year on tangible assets as per Note 10 a	44,980,396	71,948,977	44,980,396	71,948,977
Depreciation and amortisation for the year on intangible assets as per Note 10 b	741,896	4,583,358	741,896	4,583,358
Less : Utilised from revaluation reserve	769,228	769,228	769,228	769,228
Depreciation and amortisation relating to discontinuing operation (Refer Note 33)	1,972,893	12,446,696	1,972,893	12,446,696
Depreciation and amortisation relating to continuing operation	42,980,171	63,316,411	42,980,171	63,316,411

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.
- 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.
- Buildings comprises of a building given on operating lease for a period of 12 months.

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 11: NON-CURRENT INVESTMENTS		
Investment in Equity Instruments (at cost) (Unquoted) (Trade)		
In Subsidiary Company		
1 Equity Share of AED 1,500,000 each fully paid-up in Smartlink Middle East FZE (formerly known as Digilink Middle East FZE)	18,208,800	18,208,800
Total	18,208,800	18,208,800
Aggregate value of investments		
Quoted - cost	-	-
Unquoted - cost	18,208,800	18,208,800
Market value	-	-
NOTE 12: LONG TERM LOANS AND ADVANCES		
Unsecured, considered good:		
Capital advances	1,406,179	839,159
Security deposits	4,849,242	5,945,412
Prepaid expenses	145,312	182,598
Others:		
VAT / Service tax receivable	457,258	842,258
Advance payment of taxes (net of provision)	8,344,339	4,798,663
Custom duty receivable	13,045,673	13,061,864
Pre-deposit with Government authorities in connection with appeals filed	22,300,000	12,300,000
	50,548,003	37,969,954
Doubtful:		
Security deposits	964,544	964,544
Less: Provision	964,544	964,544
	-	-
Total	50,548,003	37,969,954
NOTE 13: CURRENT INVESTMENTS		
Investments in Mutual Funds (non-trade) (unquoted)		
(At lower of cost and fair value)		
Face value of all units, Rs.10/-		
NIL (Previous year, 375,202.4590) units in ICICI Prudential Mutual Fund Floating Rate Plan D Fund - Daily Dividend Plan	-	37,528,878
8,692,085.7900 (Previous year, NIL) units in ICICI Prudential Mutual Fund Institutional Short Term Plan - Monthly Dividend	106,364,895	-
NIL (Previous year, 1,458,385.4370) Units in Birla Sun Life Ultra Short Term Fund Institutional-Plan - Daily Dividend	-	14,591,876
NIL (Previous year, 1,229,252.1660) Units in Birla Sun Life Medium Term Plan Institutional-Weekly Dividend - Reinvestment	-	12,325,241
NIL (Previous year, 3,000,000.0040) Units in Birla Sun Life Short Term FMP Series 4 Dividend -Payout	-	30,000,000
NIL (Previous year, 9,112,722.0030) Units in Birla Sun Life Short Term Opportunities Fund Institutional - Weekly Dividend	-	91,194,776

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
14,887,039.8020 (Previous year, NIL) units in Birla Sun Life Dynamic Bond Fund Retail Plan Monthly Dividend - Reinvestment	156,862,265	-
19,501,384.2638 (Previous year, NIL) Units in Birla Sun Life Dynamic Bond Fund Retail Plan - Dividend - Monthly	206,304,698	-
NIL (Previous year, 1,000,138.9420) Units in Kotak Quarterly Interval Plan Series 10 - Dividend	-	10,001,389
NIL (Previous year, 2,390,509.0950) Units in Kotak-Quarterly Interval Plan FMP Series 5 Dividend - Payout	-	23,914,034
NIL (Previous year, 5,137,510.9752) Units in Kotak Floater Long Term Daily dividend	-	51,785,083
4,469,336.4690 (Previous year, NIL) Units in Kotak Short Term Monthly Dividend - Reinvestment	45,336,716	-
NIL (Previous year, 1,000,000.0000) Units in UTI - Fixed Income Interval Fund Series II Quarterly Interval Plan IV-Institutional Dividend Plan.	-	10,000,000
NIL (Previous year, 6,072,034.0400) Units in JM Money Manager Fund Regular Plan - Daily dividend	-	60,788,347
NIL (Previous year, 5,000,000.0000) Units in JM Fixed Maturity Fund Series XIX Plan A - Growth Plan	-	50,000,000
NIL (Previous year, 5,000,000.0000) Units in JM Fixed Maturity Fund Series XIX Plan B - Dividend Plan	-	50,000,000
NIL (Previous year, 2,405,418.4130) Units in JM Short Term Fund Institutional Plan- Dividend	-	25,151,344
NIL (Previous year, 1,385,531.4720) Units in JM Arbitrage Advantage Fund Dividend	-	14,001,627
2,585,321.1206 (Previous year, NIL) Units in JM Financial Floater Short Term Plan - Daily Dividend	26,081,495	-
NIL (Previous year, 1,967,959.7070) Units in Religare Credit Opportunities Fund Institutional Monthly Dividend	-	19,987,976
NIL (Previous year, 3,000,000.0000) Units in Religare Fixed Maturity Plan Series IV Plan B - (6 mths) Dividend	-	30,000,000
NIL (Previous year, 5,212,279.7680) Units in Religare Medium Term bond Fund Monthly dividend	-	52,290,348
NIL (Previous year, 4,000,000.0000) Units in Religare Fixed Maturity Plan-Series V Plan F (91 days) - Dividend	-	40,000,000
15,957,751.8040 (Previous year, NIL) Units in Religare Short Term Plan A Weekly dividend Reinvestment	162,502,561	-
4,704,157.1450 (Previous year, NIL) Units in Religare Short Term Plan B Monthly Dividend	50,417,145	-
3,000,000.0000 (Previous year, NIL) Units in Religare FMP Series VII Plan C (369 days) - Dividend	30,000,000	-
NIL (Previous year, 30,412.2700) Units in Templeton India Short Term Income Retail Plan - Weekly Dividend Reinvestment	-	32,737,630
NIL (Previous year, 3,374,430.4870) Units in Templeton India Income Opportunities Fund Dividend - ABML	-	35,447,665
NIL (Previous year, 3,107,304.5390) Units in Templeton India Ultra Short Bond Fund Super Institutional Plan-Daily dividend Reinvestment	-	31,109,090

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NIL (Previous year, 1,480,829.9750) Units in Templeton India Low Duration Fund Monthly Dividend Reinvestment	-	15,186,377
5,959,328.2160 (Previous year, NIL) Units in Templeton India Low Duration Fund Monthly Dividend Reinvestment	62,095,604	-
NIL (Previous year, 4,705,729.2060) Units in Larsen & Toubro Select Income Fund - Flexi Debt Institutional - Dividend	-	48,130,560
NIL (Previous year, 1,037,036.2850) Units in DWS Treasury Fund Cash-Regular Plan-Daily Dividend - Reinvestment	-	10,410,911
6,343,353.5960 (Previous year, NIL) Units in DWS Short Maturity Fund Institutional Monthly Dividend Plan - Reinvestment	63,451,811	-
13,551,364.8320 (Previous year, NIL) Units in DWS Short Maturity Fund Premium Plus-Weekly Dividend Reinvestment	140,636,308	-
20,037.1940 (Previous year, NIL) Units in Baroda Pioneer Treasury Advantage Fund Regular- Weekly dividend	20,055,425	-
NIL (Previous year, 2,007,717.344) Units in Axis Short Term Fund-Institutional Regular Dividend Reinvestment	-	20,134,679
NIL (Previous year, 2,006,677.9145) Units in JPMorgan India Short Term Income Fund Weekly Dividend - Reinvestment	-	20,111,276
7,978,635.4636 (Previous year, NIL) Units in JPMorgan India Treasury Fund Super Inst. Daily Dividend Plan - Reinvestment	80,374,966	-
NIL (Previous year, 4,509,591.4780) Units in IDBI Ultra Short Term Fund Daily Dividend - Reinvestment	-	45,095,915
5,380,777.1078 (Previous year, NIL) Units in SBI Dynamic Bond Fund Dividend Reinvestment	60,851,055	-
25,887,923.4540 (Previous year, NIL) Units in HDFC Short Term Plan Dividend Reinvestment	268,119,261	-
10,337,392.2730 (Previous year, NIL) Units in IDFC SSIF - ST - Plan C Monthly Dividend - Reinvestment	110,302,914	-
	1,589,757,119	881,925,022
Less: Provision	3,546,493	389,130
Total	<u>1,586,210,626</u>	<u>881,535,892</u>
Aggregate value of investments (net of provision)		
Quoted - cost	-	-
Unquoted - cost	1,586,210,626	881,535,892
Market value	-	-
NOTE 14: INVENTORIES		
(At lower of cost and net realisable value)		
Raw materials and components [Includes Goods-in-transit of Rs. 30,022/- (previous year Rs. 8,583,614/-)]	113,261,123	62,180,279
Work-in-progress	7,368,580	9,560,166
Finished goods	81,232,524	49,470,370
Traded goods [Includes Goods-in-transit of Rs. 31,372,663/- (previous year Rs. 74,734,206/-)]	121,654,574	100,255,789
Stores, spares and packing materials	6,074,368	1,153,093
Total	<u>329,591,169</u>	<u>222,619,697</u>

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 15: TRADE RECEIVABLE		
Unsecured		
a) Outstanding for a period exceeding six month from the date they were due for payment		
Considered doubtful	1,839,961	2,010,301
Less: Provision	1,839,961	2,010,301
	-	-
b) Others*		
Considered good	156,473,127	353,675,081
Total	156,473,127	353,675,081
* Includes amounts in respect of which the Company holds deposits	-	11,478,936
NOTE 16: CASH AND CASH EQUIVALENTS		
a) Cash on hand	389,759	386,465
b) Balances with bank		
In Current accounts	13,605,516	56,991,973
In EEFC account	57,351,586	17,704,251
In deposits accounts (Refer note below)	1,899,884,534	50,188,484
In earmarked accounts		
Unpaid dividend accounts	2,700,196	1,817,563
Balance held as margin money	3,643,961	3,333,562
Total	1,977,575,552	130,422,298
Note :		
Balances with bank include deposits amounting to Rs.1,899,884,534/- (previous year Rs. 50,188,484/-) and margin monies amounting to Rs.3,643,961/- (previous year Rs.3,333,562/-) which have an original maturity of more than 12 months.		
NOTE 17: SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good:		
Security deposits	3,209,720	1,907,894
Advances / Loans to Employees (Refer note (b) below)	4,916,414	929,951
Prepaid expenses	5,020,893	5,482,707
Others:		
VAT credit receivable	552,532	902,332
CENVAT / Service tax credit receivable	26,281,286	5,240,648
Custom duty receivable	4,659,435	10,031,326
Balance in DEPB licences	6,189,390	12,550,158
Advance to suppliers	9,248,870	7,982,017
	60,078,540	45,027,033

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
Doubtful:		
Security deposits	-	166,808
Advance to suppliers	1,377,003	1,003,121
	<u>1,377,003</u>	<u>1,169,929</u>
Less : Provision	1,377,003	1,169,929
	<u>-</u>	<u>-</u>
Total	<u>60,078,540</u>	<u>45,027,033</u>
Note:		
a) 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	555,904	235,496
Maximum balance outstanding at any time during the year	678,778	381,796
b) Advance to related party		
Key Management person [Refer Note 37(i)]	3,761,250	-
	<u>For the year ended 31st March, 2012</u>	<u>For the year ended 31st March, 2011</u>
NOTE 18: REVENUE FROM OPERATIONS		
Sale of products (Refer Note (i) below)	575,606,517	217,652,863
Sale of services (Refer Note (ii) below)	150,154,165	127,996,055
Other operating revenues (Refer Note (iii) below)	2,048,533	22,254,388
	<u>727,809,215</u>	<u>367,903,306</u>
Notes :		
(i) Sale of products comprises of		
<u>Finished goods</u>		
Networking products	303,503,514	156,367,814
<u>Traded goods</u>		
Networking products	272,103,003	61,285,049
Total	<u>575,606,517</u>	<u>217,652,863</u>
(ii) Sale of Services comprises of		
Repair services	107,045,624	79,622,182
AMC services	16,626,389	15,884,086
Technical support services	24,971,747	24,038,490
Job work charges	1,510,405	8,451,297
Total	<u>150,154,165</u>	<u>127,996,055</u>
(iii) Other operating revenues		
Duty Drawback	158,235	-
DEPB licence	-	730,616
Logistic support services and management fees	600,000	19,078,997
Provision for doubtful trade receivables and advances written back	-	1,346,521
Sundry balances written back	991,075	331,003
Recovery of trade receivables earlier written off	299,223	767,251
Total	<u>2,048,533</u>	<u>22,254,388</u>

Notes forming part of the financial statements

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
NOTE 19: OTHER INCOME		
Interest income		
- On fixed deposits with banks	108,451,343	463,357
- On overdue trade receivables	243,340	105,622
- Interest on income tax refund	1,622,856	-
- On debentures	-	28,024
	<u>110,317,539</u>	<u>597,003</u>
Dividend income from current investments	171,657,011	49,804,095
Net gain on sale of current investment	17,835,079	3,014,889
Rent income from operating leases	6,197,610	-
Net gain on foreign currency transactions and translation	2,873,302	1,093,699
Insurance claims	907,424	13,336
Service charges from customers	11,171	395,112
	<u>309,799,136</u>	<u>54,918,134</u>
Total	309,799,136	54,918,134

	Rupees	For the year ended 31st March, 2012 Rupees	Rupees	For the year ended 31st March, 2011 Rupees
NOTE 20: INCREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS				
<u>Stock as at 31st March, 2012</u>				
Finished goods				
- Manufactured	81,232,524		49,470,370	
Less: Related to discontinuing operations	-		25,939,259	
	<u>81,232,524</u>	81,232,524	<u>23,531,111</u>	23,531,111
- Traded	121,654,574		100,255,789	
Less: Related to discontinuing operations	-		89,086,820	
	<u>121,654,574</u>	121,654,574	<u>11,168,969</u>	11,168,969
Work-in-progress	7,368,580		9,560,166	
Less: Related to discontinuing operations	-		8,636,085	
	<u>7,368,580</u>	7,368,580	<u>924,081</u>	924,081
		<u>210,255,678</u>		<u>35,624,161</u>
<u>Less: Stock as at 1st April, 2011</u>				
Finished goods				
- Manufactured	23,531,111		56,897,233	
Less: Related to discontinuing operations	-		55,775,101	
	<u>23,531,111</u>	23,531,111	<u>1,122,132</u>	1,122,132
- Traded	11,168,969		51,507,791	
Less: Related to discontinuing operations	-		51,507,791	
	<u>11,168,969</u>	11,168,969	<u>-</u>	-
Work-in-progress	924,081		8,226,943	
Less: Related to discontinuing operations	-		8,226,943	
	<u>924,081</u>	924,081	<u>-</u>	-
		<u>35,624,161</u>		<u>1,122,132</u>
Increase		174,631,517		34,502,029

Notes forming part of the financial statements

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
NOTE 21: EMPLOYEES BENEFITS EXPENSES		
Salaries and wages	234,293,292	157,173,351
Contribution to provident and other funds	4,066,961	3,239,010
Staff welfare expenses	17,160,189	10,522,135
Gratuity	2,236,343	3,740,458
Leave encashment	1,101,394	591,944
Total	<u>258,858,179</u>	<u>175,266,898</u>
NOTE 22: FINANCE COST		
Interest Expenses on:		
Buyers credit from bank	-	595,902
Trade payable (Refer Note 34)	5,814	23,119
Others		
- Interest on delayed / deferred payment of income tax	142,693	321,299
- Interest on statutory payments ets.	377,943	358,080
Total	<u>526,450</u>	<u>1,298,400</u>
NOTE 23: OTHER EXPENSES		
Stores, spares and packing material consumed	12,556,002	4,034,152
Power and fuel	12,679,310	9,906,744
Rent	19,034,110	13,095,095
Operating lease rentals	645,740	1,138,304
Rates and taxes	1,227,062	391,089
Insurance	6,013,555	2,955,807
<u>Repairs and maintenance</u>		
Buildings	3,105,337	739,252
Machinery	3,258,147	3,610,807
Others	10,316,928	6,823,820
	<u>16,680,412</u>	<u>11,173,879</u>
Travelling and conveyance expenses	16,498,608	10,104,718
Communication expenses	8,174,478	5,670,065
Legal and Professional fees	25,619,734	13,559,722
Advertisement and sales development expenses	70,455,262	23,260,733
Freight Outward	34,561,039	5,035,411
Printing and stationery expenses	11,328,694	3,744,485
Servicing expenses	8,821,295	-
Loss on fixed assets sold / scrapped / written off	2,104,375	1,625,479
Provision for diminution in value of current investments (non-trade) (net)	3,157,363	95,489
Provision for doubtful debts and advances	36,735	-
Sundry balances written off	2,366,240	-
Bad debts written off	975,661	1,755,785
Excise duty [Refer Note No. 37 (h)]	8,682,832	2,549,223
Miscellaneous expenses	24,782,272	15,729,034
Total	<u>286,400,779</u>	<u>125,825,214</u>

Notes forming part of the financial statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 24: CONTINGENT LIABILITIES AND COMMITMENTS		
<u>Contingent liabilities in respect of</u>		
a. Show cause notices received from customs authorities relating to imports made in earlier years. The Company has filed replies to these notices.	709,043	242,015,325
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
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 Long term loans and advances in Note 12, pending resolution of the dispute.	4,487,728	4,487,728
g. Disputed demand of Income-tax for Assessment Year 2008-09 pending before Commissioner of Income-tax (Appeals), Panaji.	40,297,980	-
h. 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.		
<u>Capital commitments</u> Estimated amount of contracts remaining to be executed on capital account and not provided for	14,246,950	231,960

NOTE 25: FOREIGN CURRENCY

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

	As at 31st March, 2012		As at 31st March, 2011	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Debtors	USD 431,129	21,933,673	USD 506,778	22,597,220
Loans and advances	USD 8,490	369,080	USD 4,511	191,594

	As at 31st March, 2012		As at 31st March, 2011	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Trade payable	USD 1,213,924	61,770,498	USD 3,180,452 EUR 49 SGD 5,605	142,049,915
Other payables	USD 4,923	219,184	USD 4,923	219,184

Notes forming part of the financial statements

	For the year ended 31st March,2012 Rupees	For the year ended 31st March,2011 Rupees
b) Amount of exchange differences included in the Statement of Profit and Loss		
Exchange gain	25,912,079	7,680,872
Exchange loss	23,038,777	6,587,173
NOTE 26: PAYMENT TO AUDITORS (NET OF SERVICE TAX CREDIT)		
a. As Auditors	1,170,000	1,170,000
b. For taxation matters	100,000	-
c. For other services - certification	320,000	180,000
d. For Expenses	15,432	21,217
Total	1,605,432	1,371,217
	Rupees	Previous year Rupees
NOTE 27 :		
A The disclosure as required under AS-15 regarding the Company's defined benefit plans is as follows:	Gratuity (Funded)	Gratuity (Funded)
I. Reconciliation of opening and closing balances of Defined Benefit obligation		
Defined Benefit obligation at beginning of the year	13,663,386	10,646,662
Less : Transferred pursuant to sale of discontinued business	2,471,862	-
	11,191,524	10,646,662
Current Service Cost	2,153,585	2,376,619
Interest Cost	872,493	775,111
Past service cost - (vested benefit)	-	2,642,850
Actuarial (gain) / loss	(201,931)	(862,308)
Benefits paid	(570,715)	(1,915,548)
Settlement cost	-	-
Defined Benefit obligation at year-end	13,444,956	13,663,386
II. Reconciliation of opening and closing balances of fair value of plan assets		
Fair value of plan assets at beginning of the year	4,769,523	4,191,613
Expected return on plan assets	454,345	387,502
Actuarial gain / (loss)	133,459	103,636
Employer contribution	2,390,290	2,002,320
Benefits paid	(570,715)	(1,915,548)
Settlement cost	-	-
Fair value of plan assets at year end	7,176,902	4,769,523
III. Reconciliation of fair value of assets and obligations		
Present value of obligation as at 31st March, 2012	13,444,956	13,663,386
Fair value of plan assets as at 31st March, 2012	7,176,902	4,769,523
Amount recognized in Balance Sheet	(6,268,054)	(8,893,863)
IV. Expense recognized during the year (Under the head "Employee benefits expenses" - Refer to Note 21)		
Current Service Cost	2,153,585	2,376,619
Interest Cost	872,493	775,111
Past service cost - (vested benefit)	-	2,642,850
Expected return on plan assets	(454,345)	(387,502)
Actuarial (gain) / loss	(335,390)	(965,944)
Net Cost*	2,236,343	4,441,134
* inclusive of charge of Rs. Nil (previous year Rs. 700,676/-) pertaining to discontinuing operations.		

Notes forming part of the financial statements

	Rupees	Previous year Rupees
V. Actuarial assumptions		
Discount rate (per annum)	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	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.

Experience Adjustment	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08
On plan liabilities	(201,931)	(862,308)	(1,479,004)	(265,576)	1,449,974
On plan assets	133,459	103,636	(2,609)	32,041	152,637
Present value of benefit obligation	13,444,956	13,663,386	10,646,662	9,767,582	10,565,032
Fair value of plan assets	7,176,902	4,769,523	4,191,613	4,316,397	4,782,438
Excess of (obligation over plan assets) / plan assets over obligation	(6,268,054)	(8,893,863)	(6,455,049)	(5,451,185)	(5,782,594)

VIII. The company has made contribution of Rs. 1,500,000/- for the FY 2012-13.

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 The disclosure as required under AS-15 regarding the Company's defined contribution plans is as follows:

- i) Contribution to provident fund Rs. 4,062,473/- (previous year Rs. 3,224,639/-).

NOTE 28: 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 segment reporting (by geographical segments)

The secondary reporting segment for the Company 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)	579,941,521	113,973,094	-	693,914,615
	(306,119,314)	(45,277,912)	-	(351,397,226)
Segment assets	878,107,473	21,933,673	3,590,339,317	4,490,380,463
	(1,009,042,520)	(22,597,220)	(1,034,965,653)	(2,066,605,393)
Additions to fixed assets during the year	34,193,039	-	-	34,193,039
	(37,692,224)	-	-	(37,692,224)

Figures in brackets are for the previous year

Notes forming part of the financial statements

NOTE 29: 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. 645,740/- (previous year Rs. 1,138,304/-)

NOTE 30: EARNING PER SHARE

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:

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
Net profit for the year attributable to Equity Shareholders	3,664,475,436	165,612,287
Weighted average number of equity shares	30,004,850	30,004,850
Par value per share	2.00	2.00
Basic and Diluted earnings per share including exceptional item (Rs.4,709,508,545/-) net of tax	122.13	5.52

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 31: Deferred Tax (net)		
<u>The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:</u>		
a. Deferred Tax Liability		
Depreciation	(10,588,796)	(15,572,734)
Total	(10,588,796)	(15,572,734)
b. Deferred Tax Asset		
Provision for doubtful debts and advances	1,356,690	1,344,772
Others	3,372,603	4,272,156
Unabsorbed depreciation	12,992,441	-
Unabsorbed business loss	47,693,349	-
Total	65,415,083	5,616,928
Deferred Tax Liability (net)	NIL *	(9,955,806)

Note :

* The unabsorbed business loss and depreciation relating to current year as well as other items has given rise to deferred tax asset amounting to Rs. 54,826,287/- as at 31st March, 2012. However, in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized, the company has not accounted for the same.

NOTE 32: RELATED PARTY DISCLOSURES

Names of related parties where control exists

Smartlink Middle East FZE (formerly known as Digilink Middle East (FZE) (w.e.f. 7th April, 2010)

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

Name of the related parties

Mr. Kamalaksha R. Naik
Mr. Kamalaksha R. Naik (HUF)

Mrs. Sudha K. Naik
Mrs. Lakshana A. Sharma
Ms. Arati K. Naik

Nature of relationship

Key management person
Enterprise over which key management person is able to exercise significant influence
Relative of key management person
Relative of key management person
Relative of key management person

Notes forming part of the financial statements

Details of related party transactions during the year

				Rupees
Nature of transactions	Key Management Person	Enterprise over which key management person is able to exercise significant influence	Relative of key management person	Total
Managerial remuneration				
Mr. Kamalaksha R. Naik	2,100,000 (7,824,360)	- -	- -	2,100,000 (7,824,360)
Salary				
Ms. Arati K. Naik	- -	- -	425,375 (366,452)	425,375 (366,452)
Dividend paid				
Mr. Kamalaksha R. Naik	462,661,600 (35,920,453)	- -	- -	462,661,600 (35,920,453)
Mr. Kamalaksha R. Naik (HUF)	- -	10,975,072 (685,942)	- -	10,975,072 (685,942)
Mrs. Sudha K. Naik	- -	- -	48,007,776 (3,750,000)	48,007,776 (3,750,000)
Mrs. Lakshana A. Sharma	- -	- -	57,609,312 (4,499,945)	57,609,312 (4,499,945)
Ms. Arati K. Naik	- -	- -	67,210,880 (5,250,000)	67,210,880 (5,250,000)
<u>As at the year-end Amount due from</u>				
Mr. Kamalaksha R. Naik	3,761,250 -	- -	- -	3,761,250 -

Notes

1) Figures in brackets are those of the previous year.

NOTE 33: DISCONTINUING OPERATIONS

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, was 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 had signed the Business Transfer Agreement dated 31st March, 2011 and had obtained the shareholders approval through postal ballot on 11th May, 2011. The consideration was received on 13th May, 2011, the Closing date. The balance consideration on account of net working capital adjustments was received during the quarter ending 30th September, 2011. The profit on account of the above transaction is disclosed as an exceptional item.

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

Notes forming part of the financial statements

The disclosures required under AS 24 are as under :

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

(In Rupees)

(In Rupees)

Particulars	2012			2011		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Revenue from operations (net)	693,914,615	114,804,785	808,719,400	351,397,226	1,573,709,998	1,925,107,224
Other Income	309,799,136	3,413,539	313,212,675	54,918,134	22,393,390	77,311,524
Increase / (Decrease) in stocks of finished goods, work-in-progress and traded goods	174,631,517	-	174,631,517	34,502,029	8,152,328	42,654,357
Total Income	1,178,345,268	118,218,324	1,296,563,592	440,817,389	1,604,255,716	2,045,073,105
Total Expenditure	1,219,705,736	110,492,030	1,330,197,766	549,957,070	1,282,462,751	1,832,419,821
Profit / (Loss) before tax and before exceptional items	(41,360,468)	7,726,294	(33,634,174)	(109,139,681)	321,792,965	212,653,284
Exceptional items	4,709,508,545	-	4,709,508,545	-	-	-
Profit / (Loss) before tax	4,668,148,077	7,726,294	4,675,874,371	(109,139,681)	321,792,965	212,653,284
Provision for taxation	1,010,107,568	1,291,367	1,011,398,935	(59,751,214)	106,792,211	47,040,997
Profit / (Loss) after tax	3,658,040,509	6,434,927	3,664,475,436	(49,388,467)	215,000,754	165,612,287
Assets	4,490,380,463	-	4,490,380,463	1,549,789,808	516,815,585	2,066,605,393
Liabilities	245,421,008	-	245,421,008	201,515,154	167,920,614	369,435,768

b. Cash flow from continuing and discontinuing operations:

Particulars	2012			2011		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Net cash from operating activities	(1,646,619,715)	15,827,986	(1,630,791,729)	(170,681,600)	290,310,562	119,628,962
Net cash (used in) / from investing activities	4,517,943,503	148,648	4,518,092,151	27,644,071	19,117,696	46,761,767
Net cash (used in) financing activities	(1,116,442,828)	-	(1,116,442,828)	(90,605,731)	918,315	(89,687,416)

NOTE 34: THE DISCLOSURES UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

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;

Particulars

Outstanding principal amount and interest as on 31st March, 2012

- Principal Amount

- 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)

The amount of interest accrued and remaining unpaid at the end of each accounting year

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

	Rupees	Previous year Rupees
- Principal Amount	23,898	1,848,612
- 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)	5,814	23,119
The amount of interest accrued and remaining unpaid at the end of each accounting year	77,392	71,578
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	-	-

Notes forming part of the financial statements

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
NOTE 35: COST OF RAW MATERIALS CONSUMED		
Raw materials consumed comprises		
Intergrated circuits	113,803,975	19,707,484
Connectors	22,981,997	4,750,775
PCBs	16,968,237	5,254,730
Capacitors	10,766,876	1,613,258
Inductors and Transformers	8,464,341	8,304,002
Others	118,787,265	67,671,673
Total	<u>291,772,691</u>	<u>107,301,922</u>

NOTE 36: PURCHASE OF TRADED GOODS

Networking products	339,167,466	76,948,225
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NOTE 37: OTHER DISCLOSURE

	Current year		Previous year	
	Rupees	% age to total consumption	Rupees	% age to total consumption
a) Raw materials consumed				
imported	274,777,288	94.18	106,365,797	99.13
indigenous	16,995,403	5.82	936,125	0.87
Total	<u>291,772,691</u>	<u>100.00</u>	<u>107,301,922</u>	<u>100.00</u>
b) Stores, spares and packing materials consumed				
imported	11,361,700	90.49	1,743,437	43.22
indigenous	1,194,302	9.51	2,290,715	56.78
Total	<u>12,556,002</u>	<u>100.00</u>	<u>4,034,152</u>	<u>100.00</u>

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
c) C.I.F. value of goods imported		
Raw materials and components	373,110,989	108,910,707
Stores, spares and packing materials consumed	12,178,888	3,392,677
Capital goods	-	2,761,748
Traded goods	293,656,328	57,212,654
d) Expenditure in foreign currency		
Travelling expenses	3,460,168	835,999
Professional fees	4,266,364	1,694,300
Advertisement, Sales development, reimbursement of expenses, etc.	1,556,580	1,195,128
e) Earnings in foreign exchange		
F.O.B. value of goods exported	666,370	5,786,897
Income from services	113,306,724	39,491,015

Notes forming part of the financial statements

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
NOTE 37: OTHER DISCLOSURE - CONTINUED		
f. <u>Amount remitted during the year in foreign currency on account of dividend</u>		
Number of non-resident shareholders	1	3
Number of shares held by them on which dividend is due	50,000	150,000
Year to which dividend relates	2010-11	2009-10
Amount of dividend remitted (Rupees)	100,000	300,000
Year to which dividend relates	Interim 2011-12	-
Amount of dividend remitted (Rupees)	1,500,000	-

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.

- g. 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 had granted 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 had been renamed as Smartlink Network Systems Limited ESOP Trust. The accounting of ESOP's granted by the Trust to the employees of the Company was 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 had 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, had been amortised over the vesting period. The annual amortization was included under "Employee benefit expenses" and the cumulative charge disclosed in the Balance sheet under "Employee stock options outstanding" There are no further options outstanding to be granted.
- h. 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".
- i. Remuneration to an Executive chairman aggregating to Rs. 3,761,250/- initially paid which is in excess of limits specified in Schedule XIII of the Companies Act, 1956 is being recovered from the said Director and is accordingly disclosed in Note 17 Short Term Loans and Advances. The said amount is recovered subsequent to the year end.
- j. Previous year's figures have been regrouped, wherever necessary, to correspond with those of the current year.

Signature to notes 1 to 37

In terms of our Report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

A. B. Jani
Partner

Mumbai, dated: 8th May, 2012

For and on behalf of the Board

K. R. Naik
Executive Chairman

K. G. Prabhu
Company Secretary

Mumbai, dated: 8th May, 2012

Pankaj Baliga
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 31st March, 2012 the Consolidated Statement of Profit and Loss 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. 14,392,553/- as at 31st March, 2012, total revenues of Rs. 25,545,343/- and net cash inflows amounting to Rs. 10,664,804/- 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 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 31st March, 2012;
 - (ii) in the case of the Consolidated Statement of Profit and Loss, 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: 8th May, 2012

A. B. Jani
Partner
Membership no. 46488

Consolidated Balance Sheet as at 31st March, 2012

Particulars	Note No.	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
I EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	60,009,700	60,009,700
(b) Employee stock options outstanding	33 a	13,715,716	13,715,716
(c) Reserves and surplus	4	4,167,290,508	1,616,950,814
		<u>4,241,015,924</u>	<u>1,690,676,230</u>
(2) Non-current liabilities			
(a) Deferred tax liabilities (Net)		-	9,955,806
(b) Other Long term liabilities	5	2,835,604	2,487,369
(c) Long-term provisions	6	7,811,213	9,680,861
		<u>10,646,817</u>	<u>22,124,036</u>
(3) Current liabilities			
(a) Trade payables	7	121,084,399	240,492,050
(b) Other current liabilities	8	39,647,396	40,603,631
(c) Short-term provisions	9	74,167,340	77,757,128
		<u>234,899,135</u>	<u>358,852,809</u>
Total		<u>4,486,561,876</u>	<u>2,071,653,075</u>
II ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10 a	295,964,407	376,567,443
(ii) Intangible assets	10 b	10,807,917	599,188
(iii) Capital work-in-progress		4,934,498	-
(b) Long-term loans and advances	11	50,596,390	38,012,363
		<u>362,303,212</u>	<u>415,178,994</u>
(2) Current assets			
(a) Current investments	12	1,586,210,626	881,535,892
(b) Inventories	13	329,591,169	235,170,376
(c) Trade receivables	14	156,473,127	361,105,467
(d) Cash and cash equivalents	15	1,991,542,295	133,317,264
(e) Short-term loans and advances	16	60,441,447	45,345,082
		<u>4,124,258,664</u>	<u>1,656,474,081</u>
Total		<u>4,486,561,876</u>	<u>2,071,653,075</u>

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A. B. Jani
Partner

Mumbai, dated : 8th May, 2012

For and on behalf of the Board

K. R. Naik
Executive Chairman

K. G. Prabhu
Company Secretary

Mumbai, dated : 8th May, 2012

Pankaj Baliga
Director

Bhushan Prabhu
Chief Financial Officer

Consolidated Statement of Profit and Loss for the year ended 31st March, 2012

Particulars	Note No.	Year Ended 31st March, 2012 Rupees	Year Ended 31st March, 2011 Rupees
A) CONTINUING OPERATION			
I. Revenue from operations (gross)	17	729,466,272	367,903,306
Less : Excise duty		33,894,600	16,506,080
Revenue from operations (net)		695,571,672	351,397,226
II. Other income	18	309,892,717	54,918,134
III. Total Revenue (I + II)		1,005,464,389	406,315,360
IV. Expenses :			
Cost of raw materials consumed		291,772,691	107,301,922
Purchases of traded goods		340,541,138	76,948,225
(Increase) in inventories of finished goods, work-in-progress and traded goods	19	(174,631,517)	(34,502,029)
Employee benefits expense	20	258,858,179	175,266,898
Finance costs	21	526,450	1,298,400
Depreciation and amortisation expenses	10 c	42,987,988	63,318,228
Other expenses	22	287,359,491	125,825,214
Total Expenses		1,047,414,420	515,456,858
V. (Loss) before exceptional items and tax (III - IV)		(41,950,031)	(109,141,498)
VI. Exceptional items	32	4,709,508,545	-
VII. Profit / (Loss) before tax (V + VI)		4,667,558,514	(109,141,498)
VIII. Tax Expenses			
- Current tax		1,017,500,000	(52,700,000)
- Short provision for taxes in respect of earlier years		1,354,741	1,476,514
- Net current tax expense		1,018,854,741	(51,223,486)
- Deferred tax		(8,747,173)	(8,527,728)
		1,010,107,568	(59,751,214)
IX. Profit / (Loss) from continuing operations (after tax) (VII-VIII)		3,657,450,946	(49,390,284)
B. DISCONTINUING OPERATIONS			
X. Profit from discontinuing operations (before tax)	26	8,963,023	315,257,258
XI. Tax expense of discontinuing operations			
- Current tax		2,500,000	107,700,000
- Deferred tax		(1,208,633)	(907,789)
		1,291,367	106,792,211
XII. Profit from discontinuing operations (after tax) (X-XI)		7,671,656	208,465,047
XIII. Profit for the year (IX + XII)		3,665,122,602	159,074,763
XIV. Earnings per equity share (Face value of Rs. 2/- per share)			
Basic and Diluted	29	122.15	5.30

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

A. B. Jani
Partner

Mumbai, dated : 8th May, 2012

For and on behalf of the Board

K. R. Naik
Executive Chairman

K. G. Prabhu
Company Secretary

Mumbai, dated : 8th May, 2012

Pankaj Baliga
Director

Bhushan Prabhu
Chief Financial Officer

Consolidated Cash flow statement for the year ended 31st March, 2012

	For the Year Ended 31st March, 2012 Rupees	For the Year Ended 31st March, 2011 Rupees
A. Cash flows from operating activities		
Profit / (Loss) before tax	4,676,521,537	206,115,760
Adjustments for:		
Non cash items		
Depreciation	44,960,881	75,764,925
Loss on sale of fixed assets (net)	2,104,375	2,425,524
(Profit) on sale of current investment (non-trade) (net)	(17,835,079)	(3,014,889)
Provision for diminution in value of current investments (non-trade) (net)	3,157,363	95,489
Provision for Gratuity	(2,727,613)	2,540,618
Provision for doubtful debts and advances	36,735	-
Bad debts written off	975,661	5,970,463
Sundry balances written off	2,366,240	-
Unrealised exchange differences	(157,532)	(1,842,486)
Provision for doubtful debts and advances written back	-	(1,700,348)
Provision for Leave encashment written back	(146,737)	(162,942)
Provision for wealth tax	161,658	205,421
Profit on sale of discontinued business (net)	(4,709,508,545)	-
Sundry balances written back	(991,075)	(331,003)
Interest and finance charges	526,450	2,216,715
Interest income	(110,466,187)	(1,392,978)
Dividend income	(171,657,011)	(49,804,095)
Operating profit before working capital changes	(282,678,879)	237,086,174
Decrease / (Increase) in trade receivables	27,151,351	(96,465,613)
(Increase) in inventories	(346,968,965)	(63,848,511)
(Increase) / Decrease in loans and advances	(38,837,352)	27,973,060
Increase in trade and other payables	49,261,054	46,257,830
Cash generated from Operations	(592,072,791)	151,002,940
Direct taxes paid	(1,027,647,161)	(46,666,003)
Net cash from operating activities	(1,619,719,952)	104,336,937
B. Cash flows from investing activities		
Purchase of fixed assets	(34,193,039)	(37,714,035)
Purchase of investments	(8,576,852,444)	(4,195,413,974)
Sale of fixed assets	446,911	818,845
Sale of investments	7,886,855,427	4,243,269,899
Proceeds from sale of discontinued business	5,034,674,117	-
Dividend received	171,657,011	49,804,095
Interest received	35,504,168	4,183,928
Net cash (used in) / from investing activities	4,518,092,151	64,948,758
C. Cash flows from financing activities		
Dividend paid	(1,115,916,378)	(87,470,701)
Interest paid	(526,450)	(2,216,715)
Net cash (used in) financing activities	(1,116,442,828)	(89,687,416)
Net (Decrease) / increase in cash and cash equivalents	1,781,929,371	79,598,279
Cash and cash equivalents at the beginning of the year	132,191,582	52,593,303
Cash and cash equivalents at the end of the year	1,914,120,953	132,191,582
Note:		
1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Note 15 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.2,700,916/- (previous year Rs.1,817,563/-).		
4. Also refer note 32		
5. Reconciliation of cash and cash equivalents		
As per Cash-flow statement	1,914,120,953	132,191,582
Add: Unrealised exchange differences	1,567,277	233,636
Add: Interest accrued on bank deposits	75,854,065	892,046
As per Balance sheet - Note 15	1,991,542,295	133,317,264

As per our attached report of even date

For Deloitte Haskins & Sells
 Chartered Accountants

A. B. Jani
 Partner

Mumbai, dated: 8th May, 2012

For and on behalf of the Board
K. R. Naik
 Executive Chairman

K. G. Prabhu
 Company Secretary

Mumbai, dated: 8th May, 2012

Pankaj Baliga
 Director

Bhushan Prabhu
 Chief Financial Officer

Notes forming part of the Consolidated Financial Statements

NOTE 1:

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

BACKGROUND OF THE SUBSIDIARY COMPANY

Smartlink Middle East FZE (formerly known as Digilink Middle East (FZE) (the Establishment) is registered on 10th November, 2009 as a free zone establishment with limited liability as per a commercial license issued by Sharjah Airport International Free Zone, Sharjah, United Arab Emirates, in accordance with the provisions of Emiri Decree No. 2 of 1995. The principal activities of the Establishment are trading in networking products.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting and preparation of financial statements

The financial statements 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. The financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956.

(b) 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.

(c) 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.

(d) 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.

(e) 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:

<u>Asset Description</u>	<u>Useful life</u>
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

(f) Impairment of assets

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 Statement of Profit and Loss 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.

Notes forming part of the Consolidated Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Investments

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

(h) 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.

(i) Revenue recognition

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

(j) 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.

(k) 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.

(l) 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.

(m) 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 Statement of Profit and Loss. Grants in the nature of promoter's contribution are treated as Capital reserve.

(n) Taxes on income

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with the 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 30 below)

(o) 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.

Notes forming part of the Consolidated Financial Statements

Rupees	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 3: SHARE CAPITAL		
Authorised		
35,000,000 Equity Shares of Rs.2/- each.	70,000,000	70,000,000
Issued, subscribed and paid-up		
30,004,850 Equity Shares of Rs.2/- each, fully paid-up	60,009,700	60,009,700
Total	60,009,700	60,009,700
NOTE 4: RESERVES AND SURPLUS		
Capital Reserve		
State Government subsidy As per last Balance sheet	2,500,000	2,500,000
Securities Premium Account		
As per last Balance sheet	278,614,693	278,614,693
Revaluation Reserve		
As per last Balance sheet	39,491,208	40,260,436
Less: Utilised for set off against depreciation (Refer Note 10c)	769,228	769,228
	38,721,980	39,491,208
Foreign Currency Translation Reserve		
As per last Balance sheet	44,129	-
Add: Adjustment during the year	1,902,698	44,129
Closing balance	1,946,827	44,129
General Reserve		
As per last Balance sheet	190,272,727	173,711,498
Add: Transferred from Surplus in Statement of Profit and Loss	366,447,544	16,561,229
Closing balance	556,720,271	190,272,727
Surplus in Statement of Profit and Loss		
As per last Balance sheet	1,106,028,057	1,033,259,297
Add: Profit for the year	3,665,122,602	159,074,763
Less: Appropriations		
Interim dividend	900,145,500	-
Proposed dividend [Amount per Equity share Rs. 2/- (Previous year Rs. 2/-)]	60,009,700	60,009,700
Corporate dividend tax	155,761,178	9,735,074
Transferred to General reserve	366,447,544	16,561,229
Closing balance	3,288,786,737	1,106,028,057
Total	4,167,290,508	1,616,950,814

Notes forming part of the Consolidated Financial Statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 5: OTHER LONG-TERM LIABILITIES		
Other payables :		
Security deposits	2,120,878	1,725,873
Unearned revenue	714,726	761,496
Total	2,835,604	2,487,369
NOTE 6: LONG-TERM PROVISIONS		
Provision for employee benefits		
For Gratuity	4,768,054	6,503,573
For Leave encashment	3,043,159	3,177,288
Total	7,811,213	9,680,861
NOTE 7: TRADE PAYABLES		
Outstanding dues of micro enterprises and small enterprises	29,712	1,871,731
Other trade payables	121,054,687	238,620,319
Total	121,084,399	240,492,050
NOTE 8: OTHER CURRENT LIABILITIES		
Unearned revenue	4,457,264	7,790,677
Unpaid dividends	2,700,196	1,817,563
Temporary overdrawn bank balance as per books	2,941,245	2,906,130
Advance received against insurance claim	5,000,000	-
Other payables :		
Statutory dues	17,111,264	14,935,575
Security deposits	772,766	12,313,003
Interest accrued on trade payables	77,392	71,578
Advance from customers	6,587,269	769,105
Total	39,647,396	40,603,631
NOTE 9: SHORT-TERM PROVISIONS		
Provision for employee benefits		
For Gratuity	1,500,000	2,492,094
For Leave encashment	1,083,619	1,096,227
Others		
For Income-tax	1,838,947	4,424,033
Proposed dividend	60,009,700	60,009,700
Corporate dividend tax	9,735,074	9,735,074
Total	74,167,340	77,757,128



Notes forming part of the Consolidated Financial Statements

NOTE 10: FIXED ASSETS

Nature of assets	Gross block			Depreciation			Net block			
	As at 1st April, 2011	Additions	Deductions	Adjustment on slump sale	As at 31st March, 2012	For the year upto 31st March, 2011	Deductions	Adjustment on slump sale	As at 31st March, 2012	As at 31st March, 2011
a) Tangible assets:										
Land										
Freehold	8,791,000	-	-	-	8,791,000	-	-	-	8,791,000	-
Leasehold	15,722,538	-	-	-	1,590,857	108,207	-	515,573	1,183,491	14,131,681
Buildings										
Own use	276,651,270	-	-	-	59,283,598	5,988,800	-	5,552,516	59,719,882	217,367,672
Given under operating lease	3,752,200	-	-	-	948,281	125,323	-	-	1,073,604	2,678,596
Plant and machinery	245,749,062	-	-	-	170,774,606	20,372,823	1,552,524	37,946,888	151,648,017	32,184,740
Furniture and fixture	39,486,442	2,142,082	10,595,071	1,672,263	29,462,001	3,079,656	9,819,113	1,093,824	21,628,720	10,024,441
Vehicles	22,448,880	1,766,405	798,980	774,931	8,114,845	3,529,184	792,176	167,250	10,684,603	14,334,035
Office equipment	18,795,632	1,012,062	3,913,995	842,002	13,007,027	1,670,735	3,279,277	593,920	10,804,565	5,788,605
Others										
Electrical installations	44,271,522	108,985	1,881,216	2,135,709	26,074,708	2,990,606	1,392,927	1,712,766	25,959,621	18,196,814
Air conditioners	36,145,903	2,629,325	5,011,604	194,494	26,057,469	2,394,190	4,594,802	49,252	23,807,605	10,088,434
Computers										
(Refer note 4 below)	160,283,973	10,437,559	12,319,000	4,523,025	151,426,587	4,728,689	12,210,024	2,962,046	140,983,206	8,857,386
	872,098,422	18,096,418	36,192,129	101,753,990	495,530,979	44,988,213	33,640,843	50,594,035	456,284,314	295,964,407
b) Intangible assets:										
Goodwill	27,898,105	-	-	-	27,898,105	-	-	-	27,898,105	-
Computer software - acquired	38,819,996	11,162,123	2,831,565	582,400	38,220,808	741,896	2,831,565	370,902	35,760,237	10,807,917
	66,718,101	11,162,123	2,831,565	582,400	66,118,913	741,896	2,831,565	370,902	63,658,342	10,807,917
Total	938,816,523	29,258,541	39,023,694	102,336,390	561,649,892	45,730,109	36,472,408	50,964,937	519,942,656	377,166,631
Previous year	923,379,673	37,714,035	22,277,185	-	504,148,555	76,534,153	19,032,816	-	561,649,892	-

c) Depreciation and amortisation relating to continuing operation

Particulars	For the year ended 31st March, 2012		For the year ended 31st March, 2011	
	For the year ended 31st March, 2012	For the year ended 31st March, 2011	For the year ended 31st March, 2011	For the year ended 31st March, 2011
Depreciation and amortisation for the year on tangible assets as per Note 10 a	44,988,213	71,948,977	44,988,213	71,948,977
Depreciation and amortisation for the year on intangible assets as per Note 10 b	741,896	4,583,358	741,896	4,583,358
Less : Utilised from revaluation reserve	769,228	769,228	769,228	769,228
Depreciation and amortisation relating to discontinuing operation (Refer Note 32)	1,972,893	12,444,879	1,972,893	12,444,879
Depreciation and amortisation relating to continuing operation	42,987,988	63,318,228	42,987,988	63,318,228

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.
- 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.
- Buildings comprises of a building given on operating lease for the period of 12 months.
- Addition and accumulated depreciation of computers includes Rs.3,074/- and Rs.733/- respectively on account of foreign currency translation reserve.

Notes forming part of the Consolidated Financial Statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 11: LONG TERM LOANS AND ADVANCES		
Unsecured, considered good :		
Capital advances	1,406,179	839,159
Security deposits	4,897,629	5,987,821
Prepaid expenses	145,312	182,598
Others :		
VAT / Service tax receivable	457,258	842,258
Advance payment of taxes (net of provision)	8,344,339	4,798,663
Custom duty receivable	13,045,673	13,061,864
Pre-deposit with Government authorities in connection with appeals filed	22,300,000	12,300,000
	50,596,390	38,012,363
Doubtful :		
Security deposits	964,544	964,544
Less : Provision	964,544	964,544
	-	-
Total	50,596,390	38,012,363
NOTE 12: CURRENT INVESTMENTS		
Investments in Mutual Funds (non-trade) (unquoted) (At lower of cost and fair value)		
Face value of all units, Rs.10/-		
In Mutual Funds (unquoted)	1,589,757,119	881,925,022
Less: Provision	3,546,493	389,130
	1,586,210,626	881,535,892
Total	1,586,210,626	881,535,892
Aggregate value of investments (net of provision)		
Quoted - cost	-	-
Unquoted - cost	1,586,210,626	881,535,892
Market value	-	-
NOTE 13: INVENTORIES		
(At lower of cost and net realisable value)		
Raw materials and components [Includes Goods-in-transit of Rs.30,022/- (previous year Rs.8,583,614/-)]	113,261,123	62,180,279
Work-in-progress	7,368,580	9,560,166
Finished goods	81,232,524	49,470,370
Traded goods [Includes Goods-in-transit of Rs.31,372,663/- (previous year Rs.74,734,206/-)]	121,654,574	112,806,468
Stores, spares and packing materials	6,074,368	1,153,093
Total	329,591,169	235,170,376

Notes forming part of the Consolidated Financial Statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 14: TRADE RECEIVABLE		
<u>Unsecured</u>		
a) Outstanding for a period exceeding six month from the date they were due for payment Considered doubtful Less: Provision	1,839,961 1,839,961	2,010,301 2,010,301
b) Others *	-	-
Considered good	156,473,127	361,105,467
Total	156,473,127	361,105,467
	-	11,478,936
* Includes amounts in respect of which the Company holds deposits		
NOTE 15: CASH AND CASH EQUIVALENTS		
a) Cash on hand	389,759	386,465
b) Balances with bank		
In Current accounts	27,572,259	59,886,939
In EEFC account	57,351,586	17,704,251
In deposits accounts (Refer note below)	1,899,884,534	50,188,484
In earmarked accounts		
Unpaid dividend accounts	2,700,196	1,817,563
Balance held as margin money	3,643,961	3,333,562
Total	1,991,542,295	133,317,264

Note :

Balances with bank include deposits amounting to Rs. 1,899,884,534/- (previous year Rs. 50,188,484/-) and margin monies amounting to Rs. 3,643,961/- (previous year Rs. 3,333,562/-) which have an original maturity of more than 12 months.

NOTE 16: SHORT TERM LOANS AND ADVANCES

<u>Unsecured, considered good :</u>		
Security deposits	3,209,720	1,907,894
Advance / Loans to Employees	4,916,414	929,951
Prepaid expenses	5,383,800	5,800,756
Others :		
VAT credit receivable	552,532	902,332
CENVAT / Service tax credit receivable	26,281,286	5,240,648
Custom duty receivable	4,659,435	10,031,326
Balance in DEPB licences	6,189,390	12,550,158
Advance to suppliers	9,248,870	7,982,017
	60,441,447	45,345,082
<u>Doubtful :</u>		
Security deposits	-	166,808
Advance to suppliers	1,377,003	1,003,121
	1,377,003	1,169,929
Less : Provision	1,377,003	1,169,929
	-	-
Total	60,441,447	45,345,082

Notes forming part of the Consolidated Financial Statements

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
NOTE 17: REVENUE FROM OPERATIONS		
Sale of products	577,263,574	217,652,863
Sale of services	150,154,165	127,996,055
Other operating revenues (Refer Note below)	2,048,533	22,254,388
Total	729,466,272	367,903,306
Other operating revenues		
Duty Drawback	158,235	-
DEPB licence	-	730,616
Logistic support services and management fees	600,000	19,078,997
Provision for doubtful trade receivables and advances written back	-	1,346,521
Sundry balances written back	991,075	331,003
Recovery of trade receivables earlier written off	299,223	767,251
Total	2,048,533	22,254,388
NOTE 18: OTHER INCOME		
Interest income		
- On fixed deposits with banks	108,451,343	463,357
- On overdue trade receivables	243,340	105,622
- Interest on income tax refund	1,622,856	-
- On debentures	-	28,024
	110,317,539	597,003
Dividend income from current investments	171,657,011	49,804,095
Net gain on sale of current investment	17,835,079	3,014,889
Rent income from operating leases	6,197,610	-
Net gain on foreign currency transactions and translation	2,873,302	1,093,699
Insurance claims	907,424	13,336
Service charges from customers	104,752	395,112
Total	309,892,717	54,918,134

Notes forming part of the Consolidated Financial Statements

	Rupees	For the year ended 31st March, 2012 Rupees	Rupees	For the year ended 31st March, 2011 Rupees
NOTE 19: INCREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS				
<u>Stock as at 31st March, 2012</u>				
Finished goods				
- Manufactured	81,232,524		49,470,370	
Less : Related to discontinuing operations	-		25,939,259	
	<hr/>	81,232,524	<hr/>	23,531,111
- Traded	121,654,574		112,806,468	
Less : Related to discontinuing operations	-		101,637,499	
	<hr/>	121,654,574	<hr/>	11,168,969
Work-in-progress	7,368,580		9,560,166	
Less : Related to discontinuing operations	-		8,636,085	
	<hr/>	7,368,580	<hr/>	924,081
		<hr/>		<hr/>
		210,255,678		35,624,161
<u>Less: Stock as at 1st April, 2011</u>				
Finished goods				
- Manufactured	23,531,111		56,897,233	
Less : Related to discontinuing operations	-		55,775,101	
	<hr/>	23,531,111	<hr/>	1,122,132
- Traded	11,168,969		51,507,791	
Less : Related to discontinuing operations	-		51,507,791	
	<hr/>	11,168,969	<hr/>	-
Work-in-progress	924,081		8,226,943	
Less : Related to discontinuing operations	-		8,226,943	
	<hr/>	924,081	<hr/>	-
		<hr/>		<hr/>
		35,624,161		1,122,132
		<hr/>		<hr/>
Increase		174,631,517		34,502,029

NOTE 20: EMPLOYEES BENEFITS EXPENSES

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
Salaries and wages	234,293,292	157,173,351
Contribution to provident and other funds	4,066,961	3,239,010
Staff welfare expenses	17,160,189	10,522,135
Gratuity	2,236,343	3,740,458
Leave encashment	1,101,394	591,944
	<hr/>	<hr/>
Total	258,858,179	175,266,898

Notes forming part of the Consolidated Financial Statements

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
NOTE 21: FINANCE COST		
Interest Expenses on :		
Buyers credit from bank	-	595,902
Trade payable	5,814	23,119
Others		
- Interest on delayed / deferred payment of income tax	142,693	321,299
- Interest on statutory payments etc.	377,943	358,080
Total	526,450	1,298,400
NOTE 22: OTHER EXPENSES		
Stores, spares and packing material consumed	12,556,002	4,034,152
Power and fuel	12,679,310	9,906,744
Rent	19,579,432	13,095,095
Operating lease rentals	645,740	1,138,304
Rates and taxes	1,227,062	391,089
Insurance	6,013,795	2,955,807
<u>Repairs and maintenance</u>		
Buildings	3,105,337	739,252
Machinery	3,258,147	3,610,807
Others	10,316,928	6,823,820
	16,680,412	11,173,879
Travelling and conveyance expenses	16,498,608	10,104,718
Communication expenses	8,174,478	5,670,065
Legal and Professional fees	25,856,186	13,559,722
Advertisement and sales development expenses	70,455,262	23,260,733
Freight Outward	34,561,039	5,035,411
Printing and stationery expenses	11,328,694	3,744,485
Servicing expenses	8,821,295	-
Loss on fixed assets sold / scrapped / written off	2,104,375	1,625,479
Provision for diminution in value of current investments (non-trade) (net)	3,157,363	95,489
Provision for doubtful debts and advances	36,735	-
Sundry balances written off	2,366,240	-
Bad debts written off	975,661	1,755,785
Excise duty [Refer Note No. 33 (b)]	8,682,832	2,549,223
Miscellaneous expenses	24,958,970	15,729,034
Total	287,359,491	125,825,214
NOTE 23:		
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.		
	Percentage holding	Date of the financial statements
The details of the subsidiary is as under:		
<u>Subsidiary (incorporated in United Arab Emirates)</u>		
Smartlink Middle East FZE (formerly known as Digilink Middle East FZE)	100%	31st March, 2012
Note: There has been no change in the holding this year.		

Notes forming part of the Consolidated Financial Statements

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
NOTE 24 : CONTINGENT LIABILITIES AND COMMITMENTS		
<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.	709,043	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	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	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	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	39,517,713
f. Custom duty paid under protest 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. The Parent Company has paid such differential duty under protest, which is included under Long term loans and advances in Note 12, pending resolution of the dispute.	4,487,728	4,487,728
g. Disputed demand of Income-tax against the Parent Company for Assessment Year 2008-09 pending before Commissioner of Income-tax (Appeals), Panaji.	40,297,980	-
h. 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 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. The stay is continuing. The Parent Company does not expect any liability on this account at this stage.		

Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for 14,246,950 231,960

NOTE 25: FOREIGN CURRENCY

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

		As at 31st March, 2012		As at 31st March, 2011	
		In foreign Currency	In Rupees	In foreign Currency	In Rupees
Amount receivable in foreign currency on account of the following:					
Debtors	USD	431,129	21,933,673	USD 200,362	8,934,164
Loans and advances	USD	8,490	369,080	USD 4,511	191,594
Amount payable in foreign currency on account of the following:					
Trade payable	USD	1,213,924	61,770,498	USD 3,180,452	} 142,049,915
	EUR			49	
	SGD			5,605	
Other payables	USD	4,923	219,184	USD 4,923	219,184

Notes forming part of the Consolidated Financial Statements

	Rupees	Previous Year Rupees
NOTE 26:		
A. The disclosure as required under AS-15 regarding the Group defined benefit plans is as follows:	Gratuity (Funded)	Gratuity (Funded)
I. Reconciliation of opening and closing balances of Defined Benefit obligation		
Defined Benefit obligation at beginning of the year	13,765,190	10,646,662
Less : Transferred pursuant to sale of discontinued business	2,573,666	-
	<u>11,191,524</u>	<u>10,646,662</u>
Current Service Cost	2,153,585	2,478,423
Interest Cost	872,493	775,111
Past service cost - (vested benefit)	-	2,642,850
Actuarial (gain) / loss	(201,931)	(862,308)
Benefits paid	(570,715)	(1,915,548)
Settlement cost	-	-
Defined Benefit obligation at year-end	<u>13,444,956</u>	<u>13,765,190</u>
II. Reconciliation of opening and closing balances of fair value of plan assets		
Fair value of plan assets at beginning of the year	4,769,523	4,191,613
Expected return on plan assets	454,345	387,502
Actuarial gain / (loss)	133,459	103,636
Employer contribution	2,390,290	2,002,320
Benefits paid	(570,715)	(1,915,548)
Settlement cost	-	-
Fair value of plan assets at year end	<u>7,176,902</u>	<u>4,769,523</u>
III. Reconciliation of fair value of assets and obligations		
Present value of obligation as at 31st March, 2012	13,444,956	13,765,190
Fair value of plan assets as at 31st March, 2012	7,176,902	4,769,523
Amount recognized in Balance Sheet	<u>(6,268,054)</u>	<u>(8,995,667)</u>
IV. Expense recognized during the year (Under the head "Employees benefit expenses" - Refer to Note 20)		
Current Service Cost	2,153,585	2,478,423
Interest Cost	872,493	775,111
Past service cost - (vested benefit)	-	2,642,850
Expected return on plan assets	(454,345)	(387,502)
Actuarial (gain) / loss	(335,390)	(965,944)
Net Cost *	<u>2,236,343</u>	<u>4,542,938</u>
* inclusive of charge of Rs. Nil (previous year Rs. 802,480/-) pertaining to discontinuing operations		
V. Actuarial assumptions		
Discount rate (per annum)	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	9.15%
Rate of escalation in salary (per annum)	6.00%	6.00%

Notes forming part of the Consolidated Financial Statements

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 liability and plan assets are furnished below.

Experience Adjustment	31-Mar-12	31-Mar-11
On plan liabilities	(201,931)	(862,308)
On plan assets	133,459	103,636
Present value of benefit obligation	13,444,956	13,765,190
Fair value of plan assets	7,176,902	4,769,523
Excess of (obligation over plan assets) / plan assets over obligation	(6,268,054)	(8,995,667)

VIII. The Parent Company has made contribution of Rs. 1,500,000/- for the FY 2012-13.

IX. 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. The disclosure as required under AS-15 regarding the Parent Company's defined contribution plans is as follows:

i) Contribution to provident fund Rs. 4,062,473/- (previous year Rs. 3,224,639/-).

NOTE 27: 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	Rupees			
	Domestic	Exports	Unallocated	Total
Revenues from external customers (net) (including sale of services)	581,598,578 (306,119,314)	113,973,094 (45,277,912)	- -	695,571,672 (351,397,226)
Segment assets	878,530,943 (1,009,042,520)	21,933,673 (22,597,220)	3,586,097,260 (1,034,965,653)	4,486,561,876 (2,066,605,393)
Additions to fixed assets during the year	34,193,039 (37,714,035)	- -	- -	34,193,039 (37,714,035)

Figures in brackets are for the previous year

NOTE 28: 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. 645,740/- (previous year Rs. 1,138,304/-)

Notes forming part of the Consolidated Financial Statements

NOTE 29: EARNING PER SHARE

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:

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
Net profit for the year attributable to Equity Shareholders	3,665,122,602	159,074,763
Weighted average number of equity shares	30,004,850	30,004,850
Par value per share	2.00	2.00
Basic and Diluted earnings per share including exceptional item (Rs.4,709,508,545/-) net of tax	122.15	5.30

NOTE 30: DEFERRED TAX (NET)

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

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
a. Deferred Tax Liability		
Depreciation	(10,588,796)	(15,572,734)
Total	(10,588,796)	(15,572,734)
b. Deferred Tax Asset		
Provision for doubtful debts and advances	1,356,690	1,344,772
Others	3,372,603	4,272,156
Unabsorbed depreciation	12,992,441	-
Unabsorbed bussiness loss	47,693,349	-
Deferred Tax Laibility (net)	NIL *	(9,955,806)

Note :

* The unabsorbed business loss and depreciation relating to current year as well as other items has given rise to deferred tax asset amounting to Rs. 54,826,287/- as at 31st March, 2012. However, in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized, the company has not accounted for the same.

Notes forming part of the Consolidated Financial Statements

NOTE 31: 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
Mr. Kamalaksha R. Naik (HUF)	Enterprise over which key management person is able to exercise significant influence
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

Nature of transactions	Key Management Person	Enterprise over which key management person is able to exercise significant influence	Relative of key management person	Rupees
				Total
Managerial remuneration				
Mr. Kamalaksha R. Naik	2,100,000	-	-	2,100,000
	(7,824,360)	-	-	(7,824,360)
Salary				
Ms. Arati K. Naik	-	-	425,375	425,375
	-	-	(366,452)	(366,452)
Dividend paid				
Mr. Kamalaksha R. Naik	462,661,600	-	-	462,661,600
	(35,920,453)	-	-	(35,920,453)
Mr. Kamalaksha R. Naik (HUF)	-	10,975,072	-	10,975,072
	-	(685,942)	-	(685,942)
Mrs. Sudha K. Naik	-	-	48,007,776	48,007,776
	-	-	(3,750,000)	(3,750,000)
Mrs. Lakshana A. Sharma	-	-	57,609,312	57,609,312
	-	-	(4,499,945)	(4,499,945)
Ms. Arati K. Naik	-	-	67,210,880	67,210,880
	-	-	(5,250,000)	(5,250,000)
<u>As at the year-end Amount due from</u>				
Mr. Kamalaksha R. Naik	3,761,250	-	-	3,761,250
	-	-	-	-

Note:

1) Figures in brackets are those of the previous year.

NOTE 32: DISCONTINUING OPERATIONS

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"), to Schneider Electric India Private Limited ("Schneider"). The Digilink Business together with its respective assets and liabilities, was 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 Parent Company had signed the Business Transfer Agreement dated 31st March, 2011 and had obtained the shareholders approval through postal ballot on 11th May, 2011. The consideration was received on 13th May, 2011, the Closing date. The balance consideration on account of net working capital adjustments was received during the quarter ending 30th September, 2011. The profit on account of the above transaction is disclosed as an exceptional item.

Notes forming part of the Consolidated Financial Statements

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)		
	2012			2011		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Revenue from operations (net)	695,571,672	138,693,071	834,264,743	351,397,226	1,583,320,958	1,934,718,184
Other Income	309,892,717	3,165,911	313,058,628	54,918,134	22,067,922	76,986,056
Increase / (Decrease) in stocks of finished goods, work-in-progress and traded goods	174,631,517	-	174,631,517	34,502,029	20,703,007	55,205,036
Total Income	1,180,095,906	141,858,982	1,321,954,888	440,817,389	1,626,091,887	2,066,909,276
Total Expenditure	1,222,045,937	132,895,959	1,354,941,896	549,958,887	1,310,834,629	1,860,793,516
Profit / (Loss) before tax and before exceptional items	(41,950,031)	8,963,023	(32,987,008)	(109,141,498)	315,257,258	206,115,760
Exceptional items	4,709,508,545	-	4,709,508,545	-	-	-
Profit / (Loss) before tax	4,667,558,514	8,963,023	4,676,521,537	(109,141,498)	315,257,258	206,115,760
Provision for taxation	1,010,107,568	1,291,367	1,011,398,935	(59,751,214)	106,792,211	47,040,997
Profit / (Loss) after tax	3,657,450,946	7,671,656	3,665,122,602	(49,390,284)	208,465,047	159,074,763
Assets	4,486,561,876	-	4,486,561,876	1,542,286,811	529,366,264	2,071,653,075
Liabilities	245,545,952	-	245,545,952	213,056,231	167,920,614	380,976,845

- b. Cash flow from continuing and discontinuing operations :

Particulars	2012			2011		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Net cash from operating activities	(1,635,547,938)	15,827,986	(1,619,719,952)	(166,107,678)	270,444,615	104,336,937
Net cash (used in) / from investing activities	4,517,943,503	148,648	4,518,092,151	45,831,062	19,117,696	64,948,758
Net cash (used in) financing activities	(1,116,442,828)	-	(1,116,442,828)	(90,605,731)	918,315	(89,687,416)

NOTE 33: OTHER DISCLOSURE

- a. 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 had granted 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 had been renamed as Smartlink ESOP Trust. The accounting of ESOP's granted by the Trust to the employees of the Parent Company was done in accordance with The SEBI (ESOS and ESOS) 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/ESOS scheme was administered by itself (rather than by the Trust). The Parent Company had accordingly considered all the options granted by the Trust on or after 1st April 2004. The difference between the Market price (intrinsic value) and the exercise price of the option, on the date of grant, had been amortised over the vesting period. The annual amortization was included under "Employee benefit expenses" in Note 20 and the cumulative charge disclosed in the Balance sheet under "Employee stock options outstanding".

There are no further options outstanding to be granted.

- b. 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".

Notes forming part of the Consolidated Financial Statements

NOTE 33: OTHER DISCLOSURE (CONTD.)

- c. Information as required under notification no. 51/12/2007-CL-III dated 8th February, 2011 issued by Ministry of Corporate Affairs relating to the subsidiary is as under.

	For the year ended 31st March, 2012 Rupees	For the year ended 31st March, 2011 Rupees
a) Capital	20,741,169	18,175,272
b) Reserves	(6,350,350)	(3,854,486)
c) Total assets	14,392,553	39,522,381
d) Total liabilities	124,944	25,201,595
e) Details of investment	NIL	NIL
f) Turnover	25,545,343	53,024,061
g) (Loss) before taxation	(6,350,350)	(3,854,486)
h) Provision for taxation	-	-
i) (Loss) after taxation	(6,350,350)	(3,854,486)
j) Proposed dividend	NIL	NIL
Exchange rate considered as on the closing date is Rs. 50.88 per USD (previous year Rs. 44.59 per USD)		

- d. Previous year's figures have been regrouped, wherever necessary, to conform to those of the current year.

Signature to notes 1 to 33

In terms of our Report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

A. B. Jani
Partner
Mumbai, dated: 8th May, 2012

For and on behalf of the Board

K. R. Naik
Executive Chairman

K. G. Prabhu
Company Secretary
Mumbai, dated: 8th May, 2012

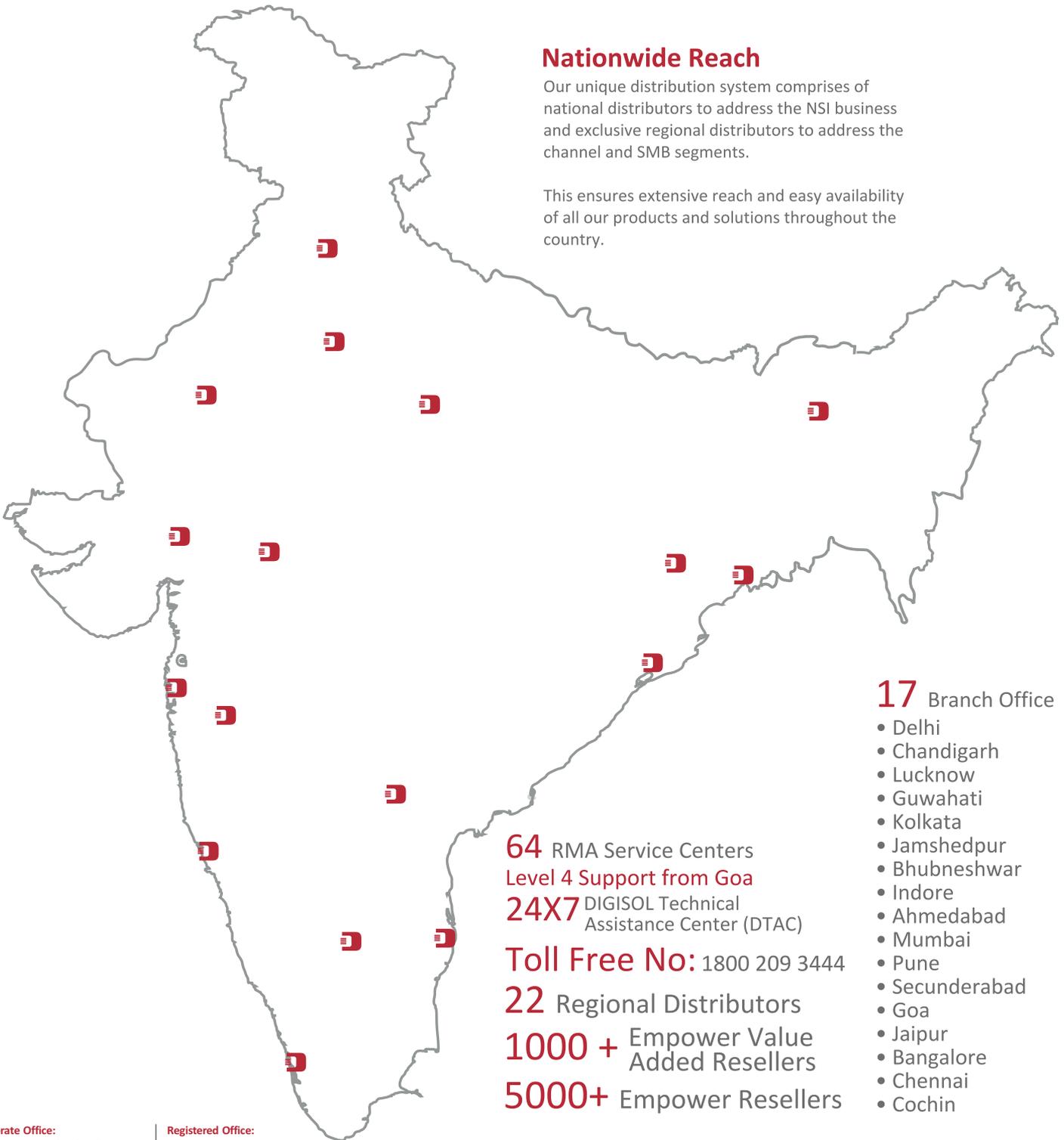
Pankaj Baliga
Director

Bhushan Prabhu
Chief Financial Officer

Nationwide Reach

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.



17 Branch Office

- Delhi
- Chandigarh
- Lucknow
- Guwahati
- Kolkata
- Jamshedpur
- Bhubneswar
- Indore
- Ahmedabad
- Mumbai
- Pune
- Secunderabad
- Goa
- Jaipur
- Bangalore
- Chennai
- Cochin

64 RMA Service Centers
 Level 4 Support from Goa
 24X7 DIGISOL Technical Assistance Center (DTAC)

Toll Free No: 1800 209 3444

22 Regional Distributors

1000 + Empower Value Added Resellers

5000+ Empower Resellers

Corporate Office:
 Smartlink House, 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.

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.

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