

Smartlink Network Systems Limited

Registered office : L-5, Verna Electronic City, Verna Plateau, Verna - Goa, 403722

NOTICE OF POSTAL BALLOT

Notice pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001

Dear Shareholder(s),

Notice is hereby given to the members, pursuant to Section 192A, of the Companies Act, 1956 (the "Act") read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 (the "**Postal Ballot Rules**") (including any statutory modification or reenactment thereof for the time being in force) for seeking approval of the members by way of an ordinary resolution for the proposed sale and transfer of the company's undertaking comprising of its structured cabling business, carried out under the brand name "**Digilink**", (hereinafter referred to as "**Digilink Business**") to Schneider Electric India Private Limited ("**Schneider**").

Pursuant to the provisions of Section 293(1)(a) of the Act, for the board of directors of a public company to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking of the whole or substantially the whole of any such undertaking, requires the consent of the shareholders by way of an ordinary resolution. Further, pursuant to the provisions of Section 192A of the Act read with the Postal Ballot Rules, the consent of the shareholders for the above purpose is required to be obtained by way of postal ballot (the "**Postal Ballot**").

The board of directors of the Company (the "**Board**") at its meeting held on March 31, 2011 has, subject to the approval of shareholders and other necessary regulatory approvals, approved the sale and transfer of the Digilink Business as a going concern on a slump sale basis together with all the assets and liabilities relating to the Digilink Business to Schneider for a total consideration of Rs. 503 crores.

The draft resolution proposed to be passed by way of Postal Ballot and the explanatory statement pursuant to Section 173(2) of the Act is appended below for consideration of the members. The Postal Ballot form for exercising your vote is also annexed to this notice.

The Board has appointed Mr. Shivaram Bhat, a practicing Company Secretary, as scrutinizer (the "Scrutinizer") for conducting the Postal Ballot process in a fair and transparent manner.

You are requested to read the instructions printed in the Postal Ballot form and return the form duly filled and completed along with your assent (for) or dissent (against); the proposed ordinary resolution in the attached self addressed postage prepaid envelope, so as to reach the Scrutinizer on or before 9th day of May, 2011, to be eligible for being considered; failing which it will be strictly treated as if no reply has been received from yourself.

The Scrutinizer shall submit his report to the Executive Chairman / Company Secretary after completion of the scrutiny of the Postal Ballot forms. The resolution, being an ordinary resolution, shall be declared to have been passed if the total eligible votes cast in favour of the resolution exceeds the total eligible votes cast against the resolution. The date of declaration of the results of the Postal Ballot, i.e., May 11, 2011 shall be deemed to be the date of passing the said resolution.

The result of the voting by the postal ballot will be declared on May 11, 2011 at 11:00 a.m. at the registered office of the Company at L-5, Verna Electronic City, Verna Plateau, Verna - Goa, 403722. The said results will thereafter be intimated to the Bombay Stock Exchange and the National Stock Exchange of India Limited, as well as published in the newspapers and will also be displayed on the website of the company viz., www.digilink.in.

Proposed Ordinary Resolution for approval of shareholders for the sale of "DIGILINK" Business

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to Section 293(1)(a) of the Companies Act, 1956 (the "Act") and Section 192A of the Act read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and other applicable provisions, if any, of the Act and subject to such other approvals and permissions as may be required, consent be and is hereby accorded to the Company to convey, transfer, assign, deliver or otherwise dispose of its 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, in the manner set out in the business transfer agreement dated March 31, 2011 entered into by and between the Company and Schneider Electric India Private Limited (the "Business Transfer Agreement") and subject to the fulfillment of the terms and conditions set forth in the Business Transfer Agreement."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to negotiate, finalize, enter into and execute all such, deeds, documents, agreements, letters and to do all such acts, deeds, matters and/or things as may be necessary and/or expedient in their discretion, including through one or more committees that may be constituted by the Board for this purpose, for giving effect to this Resolution and completing the sale of the Digilink Business to Schneider, in the interest of the Company."

By order of the Board of Directors
For **Smartlink Network Systems Limited**

K. G. Prabhu
Company Secretary

Date: 31, March, 2011
Place: Mumbai

NOTES:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business set out above is annexed hereto.
2. Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 the assent or dissent of the Company in respect of the resolutions under Postal Ballot Notice dated 31st March, 2011 shall be determined through Postal Ballot.
3. The Board of Directors have appointed Mr. Shivaram Bhat, a Practicing Company Secretary, 206 - S/2, Nova Cidade Complex, NH-17, Alto Porvorim, Goa - 403521 as Scrutinizer for the Postal Ballot exercise.
4. A shareholder desiring to exercise vote by Postal Ballot Form may complete the Postal Ballot Form and send it to the Scrutinizer in the self addressed business reply envelope. Postage will be borne and paid by the Company. However, envelopes containing Postal Ballots, if sent by courier or by Registered Post, as the case may be, at the expense of the registered shareholder, will also be accepted by the Scrutinizer.

5. The envelopes containing the Postal Ballot should reach the Scrutinizer not later than the close of working hours on 9th day of May, 2011.
6. The result of the Postal Ballot will be announced by the Chairman, or in his absence by any other person so authorized by the Chairman on 11th day of May, 2011 at 11:00 a.m. at the registered office of the Company at L-5, Verna Electronic City, Verna Plateau, Verna - Goa, 403722.
7. The declaration by the Chairman or such other person as authorised by the Chairman, as stated above may be treated as declaration of the result by the Chairman at a meeting of the shareholders as per provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.
8. A copy of all the documents referred to in this notice and the accompanying Explanatory Statement are open for inspection of the shareholders of the Company at the registered office of the Company on all working days, except Sundays and holidays, between 11:00 a.m. and 01:00 p.m. up to the date of declaration of the result of the Postal Ballot.
9. Shareholders are requested to carefully read the instructions printed on the backside of the Postal Ballot Form before exercising their vote.

EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act, 1956 for proposing Ordinary Resolution under section 293(1)(a) of the Companies Act, 1956)

Your Company's current business operations comprise mainly of the structured cabling business sold under brand name "DIGILINK", active networking products sold under brand name "DIGISOL" and services business comprising mainly of after sales service and support of all computer hardware products and technical call center services under "DIGICARE" services.

The Company proposes to sell its structured cabling business comprising of manufacture, sale and marketing of structured cabling products carried on by it under the brand name "DIGILINK" (hereinafter referred to as "Digilink Business") subject to the consent of the shareholders as required under section 293(1)(a) of the Companies Act, 1956 to Schneider. The board of directors of the Company, at its meeting held on March 31, 2011, has approved the sale of the Digilink Business to Schneider. The Business Transfer Agreement ("BTA") has also been entered into with Schneider on March 31, 2011. The salient features of the BTA are as follows:

- i. Rs. 503 Crores to be paid by Schneider to the Company as consideration for the purchase of the Digilink Business on a slump sale basis;
- ii. The sale is proposed to include all assets relating to the Digilink Business which shall also include the land and building along with manufacturing facilities located at Plot No. L-3, Verna Industrial Estate, Verna, Goa and land and building premises located at Plot No. L-30, Verna Industrial Estate, Verna, Goa and all liabilities relating to the Digilink Business (excluding cash and cash equivalents);
- iii. The proposed sale shall also include the transfer/ assignment of all trademarks to Schneider, both in India and outside, relating to the Digilink Business;
- iv. The employees relating to the Digilink Business shall be transferred with continuity of service and similar terms and conditions of service as existing today;
- v. The Company and the promoters have also agreed to a non-compete clause for a period of 5 years from the date of signing of the BTA in relation to the business of the Digilink Business as also the business conducted by Schneider, being the 'Lifespace Business' comprising of network connectivity, wiring devices and lighting controls;
- vi. The Company has provided certain representations and warranties along with indemnities, including in relation to the operation and financial status of the Digilink Business, title of the land and buildings and all other assets to be transferred, tax matters, compliance with law and validity of certain contracts.
- vii. The Company will also retain liability for all matters arising before the transfer of the Digilink Business to Schneider, and has provided an indemnity in this regard.
- viii. The sale of business is subject to certain conditions precedent including the Company obtaining the consents of the Goa Industrial Development Corporation to transfer Plot No. L - 3 and L - 30 situated at Verna Industrial Estate, Verna - Goa, 403722 to Schneider and consent of Directorate of Industries, Trade and Commerce, Goa, for transfer of the L-3 unit situated at Verna Industrial Estate City, Verna Plateau, Verna - Goa, 403722, a no-objection certificate from the Income Tax Department under the provisions of Section 281 of Income Tax Act, 1961 and the approval of the shareholders of the Company being obtained to the business transfer.
- ix. Mr. K.R. Naik without any consideration has also agreed to transfer certain intellectual property owned by him and being used by the Digilink Business to Schneider, and has also agreed to provide certain consultancy services to Schneider after the sale of the Digilink Business for a nominal consideration of Rupee One.

The structured cabling industry in India is facing competition and several well known multinational companies have/are entering this industry. The board of directors of the Company is of the opinion that it has received a fair and beneficial valuation for the Digilink Business from Schneider. The consideration received as a result of the sale of the Digilink Business can be deployed in other existing areas of the Company's business as also to explore new avenues of business.

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

The Directors shall be deemed to be interested in the resolution to the extent of their shareholding in the Company.

Copy of the BTA shall be available for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all working days (excluding Sundays and holidays) upto May 6, 2011.

The Board of Directors recommends the passing of this resolution.

By order of the Board of Directors
For **Smartlink Network Systems Limited**

K. G. Prabhu
Company Secretary

Date: 31, March, 2011
Place: Mumbai