

## D-Link (India) Limited

Registered Office: L-5, Verna Electronic City, Verna Plateau, Verna-Goa-403 722

Dear Shareholder,

**Sub: Computation of Cost of acquisition per share of Smartlink Network Systems Limited (“SNSL”) and D-Link (India) Limited (“DLI”)**

**Ref: Allotment Advice sent by our Registrars M/s Karvy Computer Share Private Limited dated 7th July, 2009 intimating the Allotment of Shares.**

The Hon’ble High Court of Bombay at Goa has by its order dated 27th February 2009, sanctioned the scheme of Arrangement between Smartlink Network Systems Limited (“SNSL” or “the Demerged Company” – erstwhile D-Link (India) Limited), D-Link (India) Limited (“DLI”- “the Resulting Company” - erstwhile Smartlink Network Systems Limited) and their respective shareholders and creditors. The said scheme became effective on 10th June, 2009.

As per the said scheme, the assets & liabilities relating to Marketing and selling of “D-LINK” branded active networking products (“Marketing Business”) have been transferred to DLI at book value, as standing in the books of the Company as on the opening hours of business on 1st April 2008.

This intimation is issued to inform the shareholders the method by which the cost of acquisition per share of SNSL and DLI is computed for the purpose of working out the capital gains under the Income Tax Act, 1961.

The cost of Acquisition is relevant only in cases where shares were acquired / bought before the record date ie., 25th June 2009. i.e., prior to demerger in the composite SNSL..

We trust this explains the position clearly and would help you to compute the cost of acquisition per share individually for SNSL and DLI, both after demerger, if and when the shares are sold attracting capital gains under the income tax Act 1961. The shareholders are advised to seek legal opinion, should they feel it necessary.

## **Computation of Cost of Acquisition per share of Smartlink Network Systems Limited (SNSL) and D-Link (India) Limited (DLI) , post Demerger .**

The Scheme of Arrangement between SNSL and DLI has fulfilled the provisions of Section 2 (19AA) of the Income Tax Act, 1961. (hereinafter referred to as the 'Act') and hence is Demerger according to the provisions of the Act.

According to the provisions of the Section 47(vi)(d) of the Act, this transaction is not a transfer and hence is not taxable in the hands of the shareholders.

### **Cost of Acquisition :**

As per the provisions of Section 49 (2C) of the Act, the cost of acquisition of shares in the Resulting Company (DLI) shall be the amount which bears to the cost of acquisition of shares held in the demerged Company (SNSL) the same proportion as the net book value of assets transferred in a demerger bears to the Networth of the demerged company (SNSL) immediately before such Demerger.

### **The Cost of Acquisition of Resulting Company (DLI) Shares**

The net Book Value of assets of DLI as on 1st April 2008 was Rs.6,461.62 lakhs and the net worth of SNSL immediately before Demerger was Rs. 21,239.87 lakhs. Thus, the proportion of net asset value of resulting Company (DLI) to the net worth of the demerged company (SNSL) immediately before such Demerger will be 30.42%. Cost of acquisition of DLI shares will be 30.42% of the total cost of acquisition of the original share in the demerged company (SNSL) prior to such demerger.

### **The Cost of Acquisition of Demerged Company (SNSL) Shares**

As per the provisions of Sec 49(2D) of the Act, cost of acquisition of the original shares held by the shareholder in the demerged company (SNSL) shall be deemed to have been reduced by the cost of acquisition of the shares in the resulting company (DLI) computed as per sec 49(2C) of the Act

For example, if SNSL shares was acquired for Rs. 100/- before demerger, the cost of acquisition of a share in the resulting company (DLI) based on the proportion of net assets/ net worth shall be Rs. 30.42 and the cost of acquisition in the demerged company (SNSL) will be Rs. 69.58/- i.e., the cost of original share less cost of acquisition of a share in the resulting company (DLI) which is ( Rs. 100/- less Rs.30.42. ). Thus, the ratio of cost of acquisition for DLI shall be 30.42% and SNSL shall be 69.58%.

### **Period of holding :**

According to section 2(42A)(g) of the Act, for reckoning period of holding on the date of sale, the period for which the shares were held in the demerged company (SNSL) prior to demerger should also be considered. For example, if a person acquires 200 shares of SNSL in September 2008, on the record date ie., 25th June 2009, he has been allotted 200 shares in DLI. If the shares are sold in September 2009, the period of holding, for determining whether it is a short term capital asset or a long term capital asset, should be considered from the date of original purchase ie., September 2008 and not from the date of allotment on the record date ie., 25th June 2009.