



# ITI LIMITED



**TOTAL SOLUTIONS**



**GLOBAL COMMUNICATIONS**

**62<sup>nd</sup> ANNUAL REPORT  
2011-12**



Dear Share holders,

Welcome to the 62<sup>nd</sup> Annual General Meeting of ITI Ltd. The Notice related to this Meeting, Director's Report, Audited Annual Accounts together with the Auditor's Report, Comments of the Comptroller and Auditor General of India on the accounts of the Company are already with you and with your permission; I shall take them as read. Further, I am pleased to inform you that the Company has complied with the guidelines on Corporate Governance for CPSEs.

Gross Turnover of your company for the year 2011-12 stood at ₹.922 Crs. Even though this is lower than that of the previous year 2010-11, the operating losses have been brought down compared to that of previous year. Even when the telecommunications scenario in the country was gloomy while telecommunications equipment procurement by two PSU service providers as our major customer nose diving in the last two years, we have been able to achieve this figure only with great difficulty. Traditionally major chunk of our turnover, to the tune of 80% came from two esteemed customers BSNL & MTNL till 2010. The contribution from two of our major customers to our turnover reduced to a meager 20% during 2011-12. This new direction of deviating from the traditional customers but still achieving a fairly good turnover with lower operating losses is a commendable step towards revival. This has been possible due to the diversification projects pursued by ITI. Excluding the impact of waiver of LD, Forex variation and unrealized other income, in case of financial result of 2011-12 compared to the year 2010-11, your company has registered a lowest ever net loss (excluding grants) during the last ten years.

The main contribution to the above revenues came from the diversified areas of business rightly pursued by ITI and very efficiently executed by one of our plants. The Palakkad unit has been successfully executing the National Population Register (NPR57) project under the Ministry of Home Affairs and Socio Economic & Caste Census (SECC) project under the Ministry of Rural Development as a member of the Consortium of three PSUs, other members being BEL & ECIL. The value of these two projects is more than ₹. 1400 Crores. As an extension of these projects, ITI is expecting another order where ITI's share is estimated to be around ₹. 1300 Crores, which is to be executed in a period of three years.

Our manufacturing plants and business units also have been performing with greater efficiency and making profits in these trying times also. Palakkad unit has achieved a record all time high turnover of ₹. 452 Crs with a profit of ₹.19.37 Cr.

In the last year, out of the Eight Regional Offices (ROs), five ROs have reported net profits and the turnover of the ROs is touching around ₹.200 Cr mark. One RO has reported Operating profit. Our foray into IT areas is also yielding results. Many IT projects have been executed through these ROs including the Accelerated Power Development and Reforms Programme (APDRP) for Tamil Nadu Electricity Board, State Wide Area Networks (SWAN) for the states of Maharashtra, Odisha and Mizoram. Recently order(s) have been bagged for Crime and Criminal Tracking Network System (CCTNS) for the state police of Bihar and Nagaland by Ros.

Network Systems Unit (NSU) has also achieved a turnover of ₹.91.86 Cr with a marked increase in profit of ₹.13.98 Cr. With the major government supported large turnkey projects expected to be rolled out in this year, NSU stands to improve its revenue generation and profits.

Would like to emphasize that, we are leaving no stone unturned in achieving revival of ITI. Our efforts continue to see that we achieve our revival plan at the earliest. The nodal agency for BIFR, namely SBI has already submitted its report and in the coming hearings to be held, BIFR is likely to take a decision on the revival plan of ITI. The Government report to BRPSE has also been submitted and the recommendations of BRPSE are also awaited.

Our sincere efforts for revival continue and our revised strategy for achieving this is broadly based on a three pronged approach.

Firstly, we have been embarking on a prudent idea of seeking more orders from Defence. This perhaps is a positive initiative of ITI in the present telecom scenario, a way out for ITI from the overdependence on two of our major customers and also an opportunity to use our large infrastructure underutilized at the moment. You all know, we have been supplying equipments to Defence forces for more than four decades. We have supplied more than ₹. 1400 Crs worth of equipments to the Armed Forces. We are the leading supplier of encryption products and our share of these encryptions is more than 70%. I am happy to state that our Ministry has taken up this request favourably. DoT, while approving ITI's Revival plan, has also recommended considering ITI at par with other Defence PSUs for business with Defence. I hope a final decision, which will be in the overall larger interest of ITI, may be taken.

Secondly, ITI is focusing on the non telecom diversified areas of business. As said earlier, our non telecom projects of NPR under Ministry of Home Affairs and SECC under the Ministry of Rural Development have yielded good results and more orders in these two areas are expected in the coming years. ITI has also diversified into Solar power based projects. Naini plant has renewed its manufacturing facilities for the production of solar panels. We have received orders worth more than ₹.35 Crs for the supply of solar panels. More orders are expected. We are also manufacturing LED based lighting systems which are expected to have a great demand in the coming years.

We at ITI, in addition to focusing more on diversification, also would continue efforts on our core business of telecom. Major opportunities to ITI are coming from the government supported projects like National Optical Fiber Network (NOFN), Network for Spectrum (NFS). ITI has been utilizing its strength as a major PSU under DoT and also strategizing to obtain more orders for ITI through consortium of PSUs under DoT. ITI has already signed ToT with CDOT for GPON equipments which are likely to form major part of the above mentioned networks. ITI has taken major steps to ensure partnerships to address the equipments required for the NFS project.


I am pleased that, the New Telecom Policy 2012 approved by the Government of India, has directions to increase the tele density and also to enhance the penetration of broadband to reach 600 million by 2020. The policy also enunciates higher local content therefore paving the way for indigenous manufacturing. The National Policy on Electronics 2011 expects the turnover in the electronics industry to reach \$400 billion by 2020 and expected to create 28 million jobs. The main agenda of the policy is to make India a Global hub for manufacturing. ITI being a major manufacturing company is hoping to benefit from these policy decisions.

ITI being at the level of losses of ₹.885 Cr (Excluding Grants) in the year 2004-05, has been in a position to limit its net losses. In spite of reduction in the turnover, constraints of our two major customers as well as pressure on the margins in the field of Telecommunication, our reduction in the operating losses during the year is an indication that turnaround of ITI may not be very far away. In case we succeed in our efforts to procure Defence orders, as well as the orders in large government funded telecom initiatives coupled with approval of our Revival Package, we may be in a position to bring down our losses further during the current year. However, the need of the hour is to take new initiatives and diversify to the new areas of business with improved performance for a quicker turn around of ITI.

Friends, this is a struggle. There are ups and downs in this race, but the struggle goes on. I am of the view that all of you will definitely appreciate the measures taken towards procuring more defence orders, Draft Rehabilitation Scheme, Diversification strategy etc to strike faster revival of ITI. It's a testing time for ITI. But I am sure that, with the support of Government mainly by the DOT & Defence Ministry, ITI is bound to bounce back as a major player in the space of electronics manufacturing.

I am grateful to the Government of India, Department of Telecommunications, Telecom Commission, BSNL, MTNL, TCIL, all departments of Central and State Governments, Defense and other valued customers, depositors, bond holders, banks, financial institutions, overseas collaborators, Auditors, Committee on Public Undertakings [COPU], Standing Committee on Information Technology and Standing Conference of Public Enterprises [SCOPE] for their continued co-operation and support. I also take this opportunity to extend my thanks to all the employees and shareholders for their support and understanding.

**NB: This does not purport to be a record of the proceedings of the 62<sup>nd</sup> Annual General Meeting.**

  
K.L. DHINGRA

Chairman & Managing Director

# IN RETROSPECT

## ITI's Maiden Venture at DEFEXPO 2012



Mr. K.L. Dhingra, CMD, ITI Ltd (Left) meets Mr. A.K. Antony, Union Defense Minister. Dr. M. M. Pallam Raju, (at the centre) Minister of State for Defence at DEFEXPO 2012 held in New Delhi.

## ITI MoU Concentrates on Revival Plans



Mr. R.Chandrasekhar, Secretary, DoT & Chairman, Telecom Commission and Mr. K.L. Dhingra, CMD, ITI Ltd, (left) signing MoU at New Delhi.

## ITI CMD Addresses ILO Conference at Geneva



Mr. K. L. Dhingra, Chairman and Managing Director, ITI Limited participated in the Tripartite Delegation of 101st Session of the International Labour Conference (ILO) held in Geneva (Switzerland) from May 29 to June 7, 2012 as a Delegate of Indian Employers. He was invited to speak on the first day of the Plenary Session on 6<sup>th</sup> June, 2012.

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**BOARD OF DIRECTORS**

**Shri K. L. Dhingra**  
Chairman and Managing Director

**Shri R.K. Agarwal**  
Director–Marketing

**Shri K. K. Gupta**  
Director–Production

**Shri Ravi Khandelwal**  
Director – Finance

**Lt. Gen. P. Mohapatra, So-in-C**  
Director (Govt. Nominee)  
(upto 31.08.2011)

**Lt. Gen. S.P.Kochhar, So-in-C**  
Director (Govt. Nominee)  
(from 16.01.2012)

**Shri N.K. Srivastava**  
Director (Govt. Nominee)  
(from 01.08.2011 upto 30.11.2011)

**Shri N.K.Joshi**  
Director (Govt. Nominee)  
(from 16.01.2012)

**Prof. M. Balakrishnan**  
Independent Director

**Shri T.S. Narayanasami**  
Independent Director

**Dr. S.K. Chaudhuri**  
Independent Director

**COMPANY SECRETARY**

**Ms Rachana Choudhary** (upto 25.05.2012)  
**Shri K.T.Mayuranathan** (from 21.06.2012)

**LEGAL ADVISERS**

**M/s. Holla & Holla**, Advocates  
Bangalore & others

**AUDITORS**

**M/s. Badari, Madhusudhan & Srinivasan**,  
Bangalore  
**M/s. Nagendra Gupta & Co.**, Naini, Allahabad  
**M/s. Habibullah & Co.**, Mankapur  
**M/s. S.Thrivikraman & Co.**, Palakkad  
**M/s. S. C. Singh & Co.**, Rae Bareli  
**M/s Samriti & Associates**, Srinagar

**BANKERS**

State Bank of India  
State Bank of Patiala  
State Bank of Bikaner & Jaipur  
State Bank of Mysore  
State Bank of Hyderabad  
State Bank of Travancore  
Bank of Baroda  
Canara Bank  
Central Bank of India  
Indian Bank  
Punjab National Bank  
Vijaya Bank  
Development Credit Bank Limited  
Indus Ind Bank Limited  
Axis Bank Limited

**MANAGEMENT:****CORPORATE OFFICE**

**Shri. K. L. Dhingra**  
Chairman and Managing Director

**Shri R. K. Agarwal**  
Director- Marketing

**Shri K.K. Gupta**  
Director – Production

**Shri Ravi Khandelwal**  
Director - Finance

**Shri R. Venkataraman, IRS**  
Chief Vigilance Officer

**Shri S. K. Tikoo**  
General Manager – IA  
(upto 28.02.2012)

**Ms. Rachana Choudhary**  
Company Secretary  
(upto 25.05.2012)

**Shri K.T.Mayuranathan**  
Company Secretary  
(from 21.06.2012)

**PLANTS / UNITS / PROJECTS**

Bangalore Plant  
**Shri Ramesh K Murthy**  
General Manager (upto 31.01.2012)

**Shri A.M.Uniyal Lt. Col.(Retd.)**  
General Manager (From 01.02.2012)

Srinagar (J & K) Plant  
**Shri D.K. Dullu**  
Deputy General Manager

Naini Plant  
**Shri P. K. Gupta**  
General Manager

Rae Bareli Plant  
**Shri S. K. Mehra**  
General Manager (upto 31.12.2011)

**Shri R.K.Purwar**  
General Manager (from 01.01.2012)

Palakkad Plant  
**Shri. Gopu S.**  
Addl. General Manager-P

Mankapur Plant  
**Shri R.K. Purwar**  
General Manager (upto 31.12.2011)  
**Shri Avinash Chandra**  
Addl.General Manager (from 01.01.2012)



Network Systems Unit

**Shri N.K. Bhattacharya**

General Manager

Research & Development

**Shri A.M. Uniyal, Lt.Col.(Retd.)**

General Manager [R&D]

GSM-Projects, (West Zone-BSNL) Pune

**Shri G.C. Pathak**

Addl. General Manager

GSM-Project, (South Zone) Bangalore

**Shri Pradeep Pandey**

Addl. General Manager

Corporate Marketing

**Shri A.K.Sultan**

Addl. General Manager

Business Co-ordination Office,  
New Delhi

**Shri Rajiv Seth**

Deputy General Manager

## NOTICE

**NOTICE** is hereby given that the SIXTY SECOND Annual General Meeting of ITI Limited will be held on Friday, the 28<sup>th</sup> September, 2012 at 11.30 a.m. at BANGALORE TAMIL SANGAM, No.59, Annaswamy Mudaliar Road, Bangalore-560 042 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the Balance Sheet as at 31<sup>st</sup> March 2012, the Profit & Loss Account for the year ended on that date and the Auditors' Report thereon.
2. To appoint a Director in place of Shri T.S. Narayanasami who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri M.Balakrishnan who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:

“RESOLVED to authorize the Board of Directors of ITI Limited to fix the remuneration, reimburse travelling allowance and out of pocket expenses of Statutory and Branch auditors of the Company to be appointed by Comptroller and Auditor General of India for the financial year 2011-2012.”

### SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:

“RESOLVED that Lt. General S.P.Kochhar and Shri N.K.Joshi both were appointed with effect from 16<sup>th</sup> January, 2012 as a Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

Regd. & Corporate Office  
ITI Bhavan, Doorvaninagar  
Bangalore-560 016

Place: Bangalore  
Date: 11.08.2012

By Order of the Board  
For ITI LIMITED

sd/-  
**(K.T. MAYURANATHAN)**  
COMPANY SECRETARY

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 21.09.2012 to 28.09.2012(both days inclusive).
3. Members are requested to advise the Share Transfer Agents, M/s. Integrated Enterprise (India) Ltd. (formerly Alpha Systems Pvt. Ltd.) 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore-560 003 and their respective Depository Participants immediately of any change in their address.
4. In accordance with the relevant provisions of the Companies Act, 1956, Shri T.S. Narayanasami, Director and Dr. S. K. Chaudhuri, Director of ITI will retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.
5. Consequent to the amendment of Section 224 of the Companies Act, 1956, the remuneration of Auditors appointed by Comptroller and Auditor General of India under amended Section 619, shall be fixed by the Company in General Meeting or in such other manner as the Company may determine.  
  
Accordingly, the Shareholders are requested to approve the Resolution at Item No.5 of the Notice.
6. Members requiring information on the Accounts are requested to write to the Company atleast fifteen days before the date of the Meeting so that the required information could be kept ready.
7. Members/their Proxies/Representatives are advised to bring the Attendance Slip duly filled in and the Annual Report for attending the Meeting.
8. The Ministry of Corporate Affairs vide Circular No. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 has taken a "Green Initiative in Corporate Governance and allowed companies to send documents to shareholders through electronic mode. Therefore, Members are requested to support this initiative by registering /updating their email addresses by sending a written request duly signed by the

shareholder to the Share Transfer Agent at the earliest.

9. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto. Documents relating to any of the items mentioned in the Notice and Explanatory Statement thereto are open for Inspection at the Registered Office of the Company on any working day during business hours.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**

**For Item No. 5 – Special Business**

Lt. General S.P.Kochhar was appointed as Director with effect from 16th January, 2012 by the Board of ITI Ltd in pursuance of letter No.A-12023/5/89-OC(pt.)-PSA dated 16<sup>th</sup> January, 2012 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Lt. General S.P.Kochhar holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Lt. General S.P.Kochhar as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri N.K.Joshi was appointed as Director with effect from 16th January, 2012 by the Board of ITI Ltd in pursuance of letter No.A-12023/5/89-OC(pt.)-PSA dated 16<sup>th</sup> January, 2012 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri N.K.Joshi holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Shri N.K.Joshi as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Regd. & Corporate Office  
ITI Bhavan, Doorvaninagar  
Bangalore-560 016

Place: Bangalore  
Date: 11.08.2012

By Order of the Board  
For ITI LIMITED

sd/-  
**(K.T. MAYURANATHAN)**  
COMPANY SECRETARY

## TEN YEAR DIGEST

₹ in Crores

OPERATING RESULTS	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Sales including services	922	2139	4660	1741	1210	1818	1749	1389	1257	1795
Accretion/(Decretion) to stock	3	(87)	(30)	21	(4)	(21)	(142)	(27)	(184)	(105)
Value of Production	925	2052	4630	1762	1206	1797	1607	1362	1073	1690
Other Income	34	78	376	176	426	173	139	505	6	67
Direct Materials	315	1662	4210	1476	884	1391	1140	1086	792	1074
Charges on Installation & Maintenance	422	190	47	75	61	78	75	61	120	157
Employees Cost	402	389	558	401	383	365	382	337	368	389
Depreciation	21	22	24	27	29	38	36	32	42	45
Financing Expenses	85	80	119	292	281	223	225	207	179	156
Other Expenses	83	148	479	313	290	239	314	440	262	310
Profit for the year	(369)	(361)	(431)	(646)	(296)	(364)	(426)	(296)	(684)	(374)
Prior Period Adjustments	(1)	3	(28)	(22)	(61)	(40)	(2)	(14)	(22)	(3)
Profit Before Tax	(370)	(358)	(459)	(668)	(357)	(404)	(428)	(310)	(706)	(377)
Provision for Tax/Deferred Tax/FRB	-	-	-	-	1	1	1	-	-	(2)
Profit after Tax	(370)	(358)	(459)	(668)	(358)	(405)	(429)	(310)	(706)	(375)
Dividend	-	-	-	-	-	-	-	-	-	-

FINANCIAL POSITION	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Equity	288	288	288	288	288	288	288	288	88	88
Preference Shares	300	300	300	300	300	300	300	300	300	100
Preference Shares-Application	0	0	0	0	0	0	0	0	0	200
Money Received Pending Allotment										
Reserves & Surplus	2700	2701	2527	73	64	64	64	64	64	64
Revaluation Reserves	2406	2424	2448	2473	2499	2527	2654	-	-	-
Miscellaneous expenditure not Written off	0	0	0	0	0	0	8	33	245	148
Profit and Loss Account-(Debit)	4345	3975	3622	3219	2551	2192	1787	1358	1048	343
Net Worth Funds with Revaluation Reserve	1413	1807	2016	(4)	686	1078	1638	(584)	(772)	54
Net Worth without considering DRE not written off Revaluation Reserve	(993)	(617)	(432)	(2477)	(1813)	(1449)	(1008)	(551)	(527)	202
Grant-in-aid	64	69	75	81	86	91	127	155	69	93
Bonds	2	2	7	456	442	416	409	573	344	304
Other borrowings & deferred credit	483	341	271	1688	1789	1326	1572	1057	1414	1121
Gross Block	3691	3684	3681	3679	3657	3644	3631	932	1009	1006
Depreciation	1175	1137	1089	1040	987	933	768	735	767	747
Net Block	2516	2547	2592	2639	2670	2711	2863	197	242	259
Capital work-in-progress	2	7	1	2	1	2	5	4	1	6
Current Assets, Loans and Advances:										
Inventory	113	118	284	403	371	425	412	553	638	871
Debtors	4268	4979	4921	2268	1825	1708	1662	1420	1189	1405
Others	333	409	631	350	354	398	522	448	267	347
<b>Total current Assests</b>	<b>4714</b>	<b>5506</b>	<b>5836</b>	<b>3021</b>	<b>2550</b>	<b>2531</b>	<b>2596</b>	<b>2421</b>	<b>2094</b>	<b>2623</b>

## TEN YEAR DIGEST (Contd..)

₹ in Crores

FINANCIAL POSITION	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Current Liabilities and Provisions	5335	5911	6136	3523	2305	2425	1846	1581	1356	1414
Working Capital	(621)	(405)	(300)	(502)	245	106	750	840	738	1209
Capita Employed (Net Fixed Assets+Working Capital)	1895	2142	2292	2137	2915	2817	3613	1037	980	1468
<b>Sources of Funds:</b>										
Shareholders's Fund	1413	1807	2016	(4)	686	1078	1638	(584)	(772)	54
Borrowings	485	343	278	2144	2231	1742	1981	1630	1758	1425
Deferred Tax	-	-	-	-	-	-	-	-	-	-
<b>Total Funds</b>	<b>1898</b>	<b>2150</b>	<b>2294</b>	<b>2140</b>	<b>2917</b>	<b>2820</b>	<b>3619</b>	<b>1046</b>	<b>986</b>	<b>1479</b>
<b>Application of Funds:</b>										
Net Fixed Assets	2516	2547	2592	2639	2670	2711	2863	197	242	259
Working Capital	(621)	(405)	(300)	(502)	245	106	750	840	738	1209
Capital Work in progress	2	7	1	2	1	2	5	4	1	6
Investments	1	1	1	1	1	1	1	5	5	5
<b>Total Assets</b>	<b>1898</b>	<b>2150</b>	<b>2294</b>	<b>2140</b>	<b>2917</b>	<b>2820</b>	<b>3619</b>	<b>1046</b>	<b>986</b>	<b>1479</b>

FINANCIAL RATIOS	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Working Capital Ratios</b>										
Current Ratio	0.88:1	0.93:1	0.95:1	0.86:1	1.11:1	1.04:1	1.41:1	1.53:1	1.54:1	1.86:1
Working Capital in no. of months of value of Production	N.A	N.A	N.A	N.A	2.44	0.71	5.60	7.40	8.25	8.58
Inventory in no. of months of Value of Production	1.47	0.69	0.74	2.74	3.69	2.84	3.08	4.87	7.14	6.18
Debtors(Net of Advances) in in terms of months sales and services	33.26	18.12	8.50	7.21	12.84	7.80	9.79	10.62	9.94	8.39
Working capital to total Assets(%)	(32.72)	(18.84)	(13.08)	(23.46)	8.40	3.76	20.72	80.31	74.85	81.74
Cost of Direct Material to value of Production incl. Excise Duty (%)	34.05	80.99	90.93	83.77	73.30	77.41	70.94	79.74	73.81	63.55
Cost of Direct Material & Charges on Insttn to value of Production incl. Excise Duty(%)	79.68	90.25	91.94	88.02	78.36	81.75	75.61	84.21	85.00	72.84
<b>Growth Ratios:</b>										
Annual growth in value of Production(%)	(54.92)	(55.68)	162.77	46.10	(32.89)	11.82	17.99	26.93	(36.51)	(31.27)
Annual growth in Gross Block excluding Revaluation Reserve (%)	0.68	0.29	0.20	2.19	1.31	1.33	4.83	N.A.	0.30	2.03

## TEN YEAR DIGEST (Contd..)

₹ in Crores

OTHER STATISTICS	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Turnover Composition:</b>										
BSNL/MTNL	196	1963	4298	1507	806	1525	1448	998	1007	1285
Others	726	176	362	234	404	293	301	391	250	510
<b>Total</b>	<b>922</b>	2139	4660	1741	1210	1818	1749	1389	1257	1795
Value added	586	328	335	222	242	328	355	188	201	490
No. of Employees as on 31st March	9512	10616	11737	12556	13045	13415	14257	14635	15221	19692
Value added per Employee(₹)	582273	293473	275800	173431	182918	237063	245743	125938	115143	237806
Value of Production per Employee(₹)	919118	1835995	3811798	1376509	911565	1298786	1112419	912379	614671	820189

[Figures in brackets indicate negative figures]

## FIGURES AT A GLANCE

₹ in Crores

BALANCE SHEET	As at 31st March 2012	As at 31st March 2011
<b>(a) What the Company owned</b>		
Fixed Assets	3691	3684
Less: Depreciation	1175	1137
Net Block	2,516	2,547
Capital Work-in-Progress	2	7
Investments	1	1
Current Assets, Loans & Advances	4714	5506
Less: Current Liabilities	5335	5911
	(621)	(405)
	1,898	2,150
<b>(b) Less: What the Company owed</b>		
Bonds	2	2
Cash Credit	483	341
Loans from Financial Institutions/Others	0	0
	485	343
<b>(C) Shareholders' Funds [a]-[b]</b>	<b>1,413</b>	<b>1,807</b>
Represented by:		
Share Capital	588	588
Reserves & Surplus	2700	2701
Revaluation Reserve	2406	2424
Grant-in-aid	64	69
Less: Profit and Loss Account (Debit)	4345	3975
	825	1,219
	1,413	1,807

## FIGURES AT A GLANCE (Contd...)

PROFIT AND LOSS ACCOUNT	₹ in Crores	
	For the year ended 31st March 2012	For the year ended 31st March 2011
<b>(a) What the Company earned</b>		
Sales including services(including excise duty)	922	2,139
Other Income	34	78
Increase/(Decrease) in Work-in-Process, Stock-in-Trade and Manufactured Components	3	(87)
	<u>959</u>	<u>2130</u>
<b>(b) What the Company incurred</b>		
Materials	737	1,852
Employees Cost	402	389
Depreciation	21	22
Financing Expenses	85	80
Other Expenses(including excise duty)	83	148
	<u>1328</u>	<u>2491</u>
<b>(c) Profit for the year(a-b)</b>	(369)	(361)
<b>(d) Prior Period Adjustments</b>	(1)	3
<b>(e) Profit before tax</b>	<u>(370)</u>	<u>(358)</u>
<b>(f) Less: Provision for Taxation</b>	0	0
<b>(g) Profit after tax</b>	<u>(370)</u>	<u>(358)</u>



## FIGURES AT A GLANCE (Contd...)

₹ in Crores

SOURCES AND APPLICATION OF FUNDS	For the year ended 31st March 2012	For the year ended 31st March 2011
<b>SOURCES OF FUNDS</b>		
1. Depreciation	21	22
2. Increase in Borrowings	142	65
3. Reduction in Working Capital	215	105
4. Revenue Grant in aid received	0	0
5. Capital Grant in aid received	0	180
	378	372
<b>APPLICATION OF FUNDS</b>		
1. Loss After Tax	370	358
2. Fixed Assets	2	8
3. Reduction in Borrowing	0	0
4. Capital Grant-in-aid utilised	5	5
5. Increase in Working Capital	0	0
6. Revenue Grant-in-aid utilised	1	1
	378	372

## DIRECTORS' REPORT

To  
**The Members**  
**ITI Limited**

Your Directors have pleasure in presenting the 62<sup>nd</sup> Annual Report of the Company together with Audited Accounts and Auditors' Report thereon for the year ended 31<sup>st</sup> March 2012.

### PERFORMANCE:

The Company was having MoU target of Rs.5300 Cr. (sales) for the year 2011-12. Against this MoU target, the Company has achieved Sales and Production of Rs. 922.09 Cr. and Rs. 924.94 Cr. during the year 2011-12 as against Rs. 2138.93 Cr. and Rs. 2052.18 Cr. respectively during the previous year 2010-11.

Due to reduced market share of Telecom PSUs, volume of ITI's business with these customers has been severely affected resulting in to reduction in sales.

The Company's loss as worked out is Rs.369.80 Cr. for the year 2011-12. Despite the reduced sales turnover, contribution in the year 2011-12 has increased to Rs 180.51 Cr. as compared to Rs. 160.10 Cr. in the year 2010-11.

During the year 2011-12, the Company received fresh orders of Rs. 1610 Cr. approximately.

The Company has signed MoU of Rs. 4430 Cr. (Level-3) for the year 2012-13 with projected gross margin of Rs. 164 Cr. and Net Profit/loss at par.

### HIGHLIGHTS:

The turnover for 2011-12 is mainly from National Population Register (NPR), GSM Projects, G-PoN, IT Project and Service Contracts of Defense and Civil networks.

Your Company executed e-Governance Project of Registrar General of India (RGI) on a large scale as part of consortium of BEL & ECIL and registers sales of Rs.438.07 Cr. during the year. Another milestone achieved by the Company in execution of APDRP Project of Tamil Nadu State. The Company did a total business of around Rs.200 Cr. In IT and other turnkey projects mainly through its presence of Regional Offices situated in various parts of Country.

The supplies of Major Products and execution of projects during the year are as follows:

NPR Project of Rs. 438.07 Cr., GSM Rs.59.16 Cr., G-PoN, Rs. 24.24 Cr., Defence Projects and Services Rs.52.20 Cr., ADSL-CPEs Rs. 5.27 Cr., SMPS Rs.3.76 Cr. Radio Modem Rs. 17.50 Cr., AMC of OCB 283 exchanges Rs. 47.14 Cr., IT Project Rs. 90.02 Cr. and business through Regional Offices Rs. 107.87 Cr.

### PRODUCTION

The product-wise details of performance achieved by the Company during the year 2011-12 as compared to the previous year is as given below:

₹ in Crores

Sl.No.	Product/Project	2011-12	2010-11
1.	OCB-283 CORE inc. I/C	-	3.81
2.	Radio Modem	17.50	-
3.	SSTP/IP TAX	12.28	1.77
4.	C-DOT Products	4.57	4.38
5.	Diversified Products/Cont.Mfg.	4.15	32.84
6.	Optic Fibre Equipments	-	45.67
7.	Solar Panel	6.87	-
8.	PCM MUX	3.84	14.34
9.	DWDM	9.21	56.96
10.	MLLN	-	2.41
11.	EPBT/CLIP Phones	-	8.11
12.	GSM – WZ (Incl. BTS, RTT, Shelter & AMC )	32.70	909.09
13.	GSM – MTNL	18.44	19.37
14.	GSM – SZ	13.64	593.06
15.	WLL - INFRA	14.88	14.96
16.	ADSL – CPE	5.13	37.47
17.	Misc. Products & Services	34.37	16.93
18.	Defence / ASCON	52.20	54.77
19.	OCB AMC Business	47.14	45.22
20.	USIM / SIM Cards	0.28	6.09
21.	NPR	438.07	11.46
22.	SMPS	3.76	14.94
23.	G-PoN	24.24	119.98
24.	ROs / CCO / IT	197.89	125.28
25.	Data Centre	10.69	-
	<b>TOTAL (Incl. ED)</b>	<b>922.09</b>	<b>2138.93</b>

### NEW PRODUCTS:

- **Carrier Ethernet:** Carrier Ethernet is the next generation transport technology for high bandwidth packet access for internet and business communication. ITI has identified a technology partner to address anticipated tender from BSNL. The NFS (Network for Spectrum) project is expected to have a huge requirement for Carrier Ethernet switches. Tender are expected in 2012-13.

- **G-PON:** G-PON is a promising transmission technology in terms of its low operating expenses, low power requirements and ease of network deployment. Huge requirements are anticipated from projects like NOFN, NFS and others. ITI has already been a major supplier of this product to BSNL and MTNL using the technology from M/s Alphon, USA. ITI has now entered into a TOT agreement with M/s C-DOT and manufacturing of G-PON equipments from component level is under process at Raebareli plant using C-DOT technology. This will boost indigenous manufacturing in India.

- **National Population Registration (NPR) and Socio Economic & Caste Census (SECC) projects:** ITI is one among the consortium of three PSUs selected for the execution of prestigious NPR project. The job involves collection of citizen data including biometrics followed by issue of ID cards. ITI has already received an order to the tune of Rs 750 crore against this project from RGI for data collection including Biometrics which is under execution. Further orders are also anticipated.

An order to the tune of ₹ 450 crore has also been received for SECC ( Socio-Economic Caste Census) project from the Ministry of Rural Development which is also under execution by the same consortium. This project involves additional census data of all the citizens in the Country.

- **Migration of C-DoT TDM switches to NGN:** ITI has manufactured the control card for migration of existing C-DoT exchanges to NGN. The manufacturing and testing of card has been approved by C-DoT. It is in line to the initiative of Ministry for bringing synergy in various organization under its control.
- **GSM :** ITI has been implementing GSM Projects in BSNL West Zone & South Zone and MTNL-Mumbai, in technology alliance with M/s Alcatel-Lucent [BSNL-West Zone & MTNL] and with M/s Huawei [BSNL-South Zone]. Huge demands are anticipated for GSM-3G equipments for expansion of BSNL/MTNL and other private operators networks. ITI is manufacturing BSS network equipments in-house.

Non-Telecom products :

- **Solar Project:** There has been special emphasis by the Government of India to implement the renewable energy sources including solar to overcome the environmental hazards. ITI is having requisite expertise and experience for implementing Solar solutions.

BSNL and other Service Providers are planning to upgrade their outdoor GSM Telecom BTS sites with Solar Power specially in rural areas where power supply position is not good. The requirement will be around 4,000 BTS sites/year. ITI Naini has installed equipments required for assembly and testing of solar module for 40 MW capacity. ITI has bagged two orders for supply of Solar Equipment of value Rs.35 Cr.

- **LED Lighting:** LED lighting is an environmental friendly option due to non-use of Mercury. Market potential for this product is very good. ITI is planning to address this market. Potential areas of business opportunities are expected from National Highway Authority, State Governments and Municipal Corporations, CPWDs/ PWDs, Railways, Hotels and Hospital Industry.

- **Data Center:** ITI established Tier 3+ state-of-art Data center at Bangalore on PPP model. Presently this Data Center is fully booked for co-location services.

Big scope exists in the market of Data center considering the immense potential in the Government sector to store data for projects of national importance like NPR, UIDAI and other Projects/Schemes envisaged by Government agencies & PSUs. In line with the business opportunities, ITI is planning to build its own Data centers as main and disaster recovery sites at 2-3 locations.

- **IT Projects:** All the State Governments are pursuing E-Governance projects for taking the benefit of IT to the Village Panchayats and they have made a substantial budget provision for the same. ITI is aggressively pursuing this Market segment. ITI has already executed SWAN (State Wide Area Network) projects of Maharashtra, Odisha and Mizoram. ITI is also executing Accelerated Power Development and Reform Programme (APDRP) of Tamil Nadu state. e-Tendering is another major project being

executed by ITI. ITI has also got orders of IT projects from Bihar & Nagaland States and UID projects in various States.

#### EXPORT:

The exports of the Company for the year 2011-2012 was NIL

#### FINANCE:

The performance of the Company for the year 2011-2012 as compared to the previous year is as follows:

(Rs.in Crs.)			
Sl NO.	Particulars	2011-2012	2010-2011
i.	Sales including services	922	2139
ii.	Value of Production	925	2052
iii.	Loss before tax	370	358
iv.	Loss after tax	370	358
v.	Financing Expenses	85	66
vi.	Depreciation	21	22
vii.	Capital Employed	1893	2142
viii.	R&D Expenditure	21	19

#### DIVIDEND:

As your Company has incurred a loss, the Directors are not in a position to recommend any dividend for the year 2011-2012.

#### HIGHLIGHTS OF THE PRODUCTION PLANTS AND SERVICE UNITS:

##### BANGALORE PLANT:

Bangalore Plant achieved a turnover of Rs.45.24 Cr. Supplies consists of, Defense equipment of Rs.10.08 Cr, ADSL-CPEs worth Rs. 0.29 Cr., PCM MUX, etc. worth Rs.3.84 Cr., Switching equipment, OCB-CSN / C-DoT / Microwave items, AMC & repair etc. worth Rs. 4.08 Cr, Data Centre's turnover worth Rs. 10.69 Cr, and Radio Modem worth Rs. 17.50 Cr. and roll back of Rs. 14 88 Cr. against WLL CDMA earlier PO value.

##### MANKAPUR PLANT:

Mankapur Plant has achieved a turnover of Rs.57.41 Cr., Out of this C-DoT products worth Rs 4.57 Cr., ADSL-CPE worth Rs.4.98 Cr. Banking product worth Rs.2.04 Cr, and Misc. Products worth Rs.0.30 Cr. were supplied.

The Plant has bagged 2 Nos. National Safety Award – Performance Year 2009 – WINNER for lowest

average accident frequency rate and Performance Year 2009 – WINNER for accident free year.

Smt. Mamta Dubey and Smt. Suman Srivastava of these plant bags Prime Minister's Shram Devi Award for the year 2008 and 2009 respectively.

##### RAE BARELI PLANT:

Rae Bareli Plant achieved a turnover of Rs.61.73 Cr, SMPS worth Rs. 3.76 Cr., Rs. 24.24 Cr. from the supply of G-PoN equipments, Rs. 28.40 Cr worth of GSM Franchise and GSM (BTS) TRU Expansion worth Rs. 5.33 were supplied.

The Plant has bagged National Safety Award for lower average frequency rate of accident Scheme-1 (Runner) & longest accident free period Scheme-2 (Winner) from Ministry of Labour & Employment for "Performance year 2008" conferred on 27<sup>th</sup> September 2010.

##### NAINI PLANT:

Naini Plant achieved a turnover of Rs.16.20 Cr. Supplies consist of DWDM equipment worth Rs. 9.21 Cr., Solar Panel worth Rs. 6.87 Cr. and misc./ contract mfg. worth of Rs. 0.12 Cr. This plant has initiated for upgrading the manufacturing facility of manufacturing of PV Solar Panels during the year.

##### PALAKKAD PLANT:

Palakkad Plant achieved a turnover of Rs.451.74 Cr. Which is highest ever since its inception. The Plant supplied MLLN equipment worth Rs. 12.28 Cr, NPR Project worth Rs.438.07 Cr. and Misc. / Contract Manufacturing worth Rs. 1.40 Cr.

The Plant has achieved notable performance in NPR 57 Data collection, Bio-metric Enrolment, Data Capture and for SECC Project, NPR Card production.

Palakkad Plant received First Prize in Industrial Safety from National Safety Council, Kerala Chapter for Medium Size Engineering Industries and also from Department of Factories and Boilers, Government of Kerala.

##### SRINAGAR PLANT:

Srinagar Plant achieved a turnover of Rs.0.02 Cr. against services.

## NETWORK SYSTEMS UNIT:

Network Systems Unit achieved a turnover of Rs.91.86 Cr mainly comprising of Annual Maintenance Contract for OCB exchanges worth Rs 47.14 Cr. for BSNL & MTNL, AMC for ASCON Project worth Rs. 42.12 Cr. and Misc./ contract jobs worth of Rs 2.60 Cr.

## REGIONAL OFFICES :

Regional Offices and its Customer Care Organization (CCO) achieved a turnover of Rs. 197.89 Crs. Overall growth was 58% higher compared to previous year's performance. This turnover consists of Rs. 69.77 Crs supply of ITI's mfg. products and other traded products, Rs.33.58 Crs. of Services and Rs.5.07 Crs. by various CCOs and Rs 90.02 Cr. towards IT Projects of services of old exchanges. During the year 2011-12, 6 Regional offices out of 8 have reported gross profit for the first time in last 5 years and 5 have reported net profit.

### GSM Projects:

The Company rolled out GSM Network worth of Rs. 40.72 Cr. against BSNL orders in WZ & SZ and Rs 18.44 Cr against Orders in MTNL, Mumbai.

### Future Outlook:

- **Software Defined Radio (SDR):** Software defined radio cater to single radio covering HF, VHF and UHF range for voice and low bit-rate voice and data applications. Defence sector plans to replace existing radios namely combat net radios with SDR. These radios have Electronic counter Measures (ECCM) features to avoid jamming. ITI is planning ToT with an Original Design agency for manufacturing and supply of SDRs for both Defence and Civilian use.
- **Network for Spectrum (NFS):** This project is allocated to BSNL by Ministry of Communications for setting up of a communication backbone network in lieu of release of spectrum by Defence. ITI is anticipating substantial order from BSNL for laying of Optical fiber cables for this project as well as supply and installation of transport equipment.
- **Broadband to rural sector:** In line with the Government's mission to provide Broadband

connectivity to the rural masses under "Bharat Nirman", 2,50,000 villages are planned to be connected by optical fiber under National Optical Fiber Network (NOFN) project. ITI is leveraging this opportunity using the G-PON technology of C-DOT.

- **Defence projects:** ITI has supplied telecom equipment like Telephones, Ruggedized Telephone Exchanges, Transmission equipments, VSAT etc. to the Defence sector. ITI has successfully implemented communication network to Indian Army viz. ASCON Phase-I, II, III on turnkey basis and also maintaining the project under AMC.

ITI is the major supplier of Encryption equipment to Defence for its communication network.

To enhance product portfolio in Defence segments following technologies are being planned by ITI :

- Satellite Trans-Receiver and Access equipments.
- RADARs and Allied Equipments.
- Weapon Control Systems.
- Navigation Systems and Equipment.
- Missile systems and Equipments.
- Electronic fuzes.
- **ASCON Phase IV for Indian army:** ITI has already executed ASCON Phase I, II & III projects. Total maintenance support is also being given for these projects by ITI. The ASCON Phase IV order is also anticipated by ITI.
- **Citizen ID cards:** As a part of National Population Register, ITI, along with its consortium partners, looks at the huge opportunity of manufacturing Smart card based citizen identity cards for all the citizens in the Country.

### CONTRIBUTION TO EXCHEQUER:

During the year, your Company has contributed ` 57.64 Crs to the exchequer towards duties and taxes.

### PUBLIC DEPOSITS:

Value of deposits held by the Company was NIL. Deposits aggregating to ` 0.24 Crs. had matured for payment, but were not claimed on due dates.

## JOINT VENTURES :

### 1. INDIA SATCOM LIMITED

India Satcom Limited (ISL) is a Joint Venture Company incorporated on 5<sup>th</sup> October, 1987 by ITI, Unit Trust of India (UTI) and Equatorial Pacific International Company (EPIC). Both EPIC and UTI had sold their respective stakes in ISL to M/s Chris Tech Systems Pvt. Ltd. (CTSPL) and ITI had also taken steps to sell its entire 49% equity stake in ISL to CTSPL. The Government of India, Ministry of Communications & IT vide their letter dated 28.01.2011 has not approved the above said sale of 49% ITI's equity stake in ISL to CTSPL, therefore the transfer of ITI shares can not be effected. Now the shareholder in the Joint Venture are ITI (49%) and CTSPL (51%).

### QUALITY:

The Quality Policy of ITI is to “provide Competitive and Reliable Products, Solutions and Services”. Quality Assurance (QA) wings have been well established in all the production units of ITI Ltd. The QA wings are responsible for Quality of products & services rolling out of units. The Units are well equipped with a variety of Environmental test facilities. Test systems and instruments for carrying out elaborate tests for conducting Reliability Evaluation on all products to ensure customer satisfaction. This is achieved by sound and effective Quality Management Systems.

The guidance and support to all Units for Training, Implementation, Surveillance and Recertification of ISO 9001:2008, Quality Management System (QMS) and ISO 14001:2004 Environmental Management System (EMS) is provided by Corporate Quality. Quality related MOU targets and Quality related issues like AIS, SPC, Six Sigma, 5S, TQM Quality Cost etc.

The five Plants at Bangalore, Palakkad, Mankapur, Rae Bareilly & Naini of the Company have been accredited with and periodically upgraded to International ISO 9001:2008 Standards of Quality Management as on date.

Keeping in tune with the Global concern for Environmental Management, all the plants of the Company have gone in for ISO 14001:2004 EMS certification for all of the Plants.

BSNL has granted AIS (Approved Inspection Scheme) status by BSNL QA for SIM Cards. Localisation activities continued during the year to procure items such as cables, connectors and PCBs for GSM-BTS Project with Alcatel approval and after approval from VDC & VRC of R&D, Bangalore. CAG, VDC, VRC, Standards, Component Testing and Reliability Labs provide Qualification Approval, Standardisation of Electronic components, Vendor Development and Vendor Rating after stringent evaluation in Testing in Reliability and Environmental laboratory.

### **MANPOWER**

Employees Strength at the end of the year 31<sup>st</sup> March 2012 was 9512 when compared to previous year's strength at 10616.

As on 31.03.2012, there were 1630 employees belonging to Schedule Castes and 79 belonging to Schedule Tribes employees, thus constituting 17.13% and 0.83% respectively of the total strength of employees on the rolls of the Company. 2 Contract Engineers belonging to SC Category & 1 belonging to ST Category, 25 Technicians belonging to SC and 1 belonging to ST were recruited on contract basis during the year 2011-2012.

Employees belonging to Ex-servicemen category numbering 41 and Physically Challenged Persons numbering 120 were on the rolls of the Company as at the end of the financial year.

### **HUMAN RESOURCE DEVELOPMENT:**

Human Resource Development (HRD) initiatives, with organizational turn around and diversification attempts in focus and in tune with the MOU target on HRM – targets for 2011-12 were set to impart training for 8% of executives and 7% of non-executives strength in the areas of New Technology, Information Technology, Employee Development, besides skill development across various functional areas by organizing 50 and 30 number of training programmes for officers and non-officers respectively. ITI achieved 'excellent rating' under the MOU for this.

Another target for the year was, for the first time in the company – as part of the MOU criteria, to conduct the SKILL GAP Analysis, involving all the trainable employees of the company.

These twin objectives were basically intended to meet the immediate training requirements of the company for the year under reference and to gear up the HRD training initiatives on the findings of the Skill GAP Analysis, for subsequent years, to supplement the company's turn around the diversification agenda.

The Company has surpassed the MOU targets for 2011-12 on HRM-Training criteria by internally training 2199 i.e., 45.54% of 4819 officers and 915 i.e., 15.8% of 5797 non-officers strength (as of 1-4-2011) through organizing a total of 97 in-house training programmes. This performance includes the 31 executives trained externally and the 5 executives trained by MOU partners in Project / Product specific training.

To keep pace with the advancements in Telecom training programmes on the topics like GPON, WiMAX, SDH, DWDM, Broad Band, Migration from IPv4 to IPv6, Embedded System were organized. On the IT front, training programmes were conducted on 'e-tendering' as part of development and implementation of the e-tendering system in the company. IT programmes also included awareness programmes on NPR Projects, Biometrics etc., Management Development programmes focused on Personality Development, Preventive Vigilance, Public Procurement, besides host of other areas like Quality, Finance, Reservation Policy for SC/ST. General Awareness programmes, keeping the company's CSR endeavors, focused on topics like, Environment Management System, Energy Conservation, Industrial Health, Safety etc., In a nutshell, during the year company had trained over 3078 employees and achieved 3733 training mandays.

Corporate HR (ED), in its efforts to minimize the training costs, thrust was given to, develop and engage more and more officers as internal resource persons for conducting the training programmes, and employ video conferencing method for conducting training programmes company-wide, at a stretch covering more than 200 participants.

## **INDUSTRIAL RELATIONS**

The Industrial Relations scenario in the Company was cordial during the year 2011-12. The Unions and Officers' Associations extended their full co-operation and support in ensuring smooth work flow and helped to meet the Company's objective.

## **OFFICIAL LANGUAGE:**

All Units / Offices have established Check-points in their concerned offices to make more efforts for effective Implementation of the Official Language Policy, monitored by the Official Language Implementation Committees constituted in every Unit/Office.

The Progress of Implementation of Official Language in our Corporate Office as well as in our all subordinate Units / Offices is also being periodically reviewed by the OLIC Committee of Corporate office.

In order to enhance the working knowledge of Official Language amongst our employees, officials have been sent to Training Programme organized by the government for imparting training in Hindi, Hindi typing and Hindi Stenography as per our requirement. However, the Official Language Cell of the different Units / Offices has also conducted internal training programmes. Besides, employees were encouraged to take part in Hindi Prabodh, Praveen & Pragya examinations and have been sanctioned financial incentives.

Since eighty percent (80%) of the staff working in our Units / Offices like Naini, Rae Bareli, Mankapur, New Delhi, Mumbai, Lucknow & Corporate Office have acquired a working knowledge of Hindi, such Units / Offices have been notified in the Gazette of India as per OL Rules 10 (2) & (4), 1976.

For Bangalore based Units/Offices, a short term Hindi Unicode training programme were organized in the HRD deptt. of Corporate Office, with the help of Senior Hindi Officer, NAL, Bangalore. More than 30 officers/non-officers participated and they were trained how to use the Hindi Unicode Fonts in day-to-day typing work.

Official Language Cell had achieved the "Best Excellence Performance Award" during the year 2010-2011 from the President, "Town Official Language Implementation Committee", Bangalore for remarkable progress and significant achievements for the use of Hindi and implementation of Official Language in the company.

After reviewing our quarterly report, an appreciation letter was also received from Dy. Director-OL,

Official Language Department DoT, New Delhi as well as Dy. Director (Implementation), Regional Implementation Office, Bangalore.

A Joint Hindi Fortnight Programme for Bangalore based PSUs / Organisations between 03.10.2011 & 31.10.2011 was organized by TOLIC, Bangalore and various types of competitions were arranged during this occasion. On this occasion many officers/Non-officers of ITI Limited, Bangalore based Units / Offices participated in these competitions and more than 14 Officers / Non-Officers have got the prizes. On the TOLIC Meeting & valedictory function held on 05.12.2011, the President, TOLIC were given the cash prizes and certificate to the winning participants.

“Hindi Fortnight” was celebrated and Hindi Workshops were organised for encouraging progressive use of Hindi during 2011-12. Company's website has been made bilingual (i.e. English and Hindi).

### **VIGILANCE :**

During the year, Vigilance Department functioned as an effective part of Management. The main focus of the vigilance activities was to sensitize the employees towards transparent, ethical and professional approach towards their duties and responsibilities. Greater Emphasis was laid on preventive vigilance. CVC guidelines and Government policies in this regard have been followed.

To achieve the above objectives, periodical inputs were given to the Management regarding review of Administrative Expenses, review of Procedure being followed for selection of Technology Partners, Securitization of ITI assets, Formulating Project-Specific-Accounting Policies in the Company, implementation of Rotational Transfer of Executives in Sensitive Areas, implementation of Whistle Blower Policy in the Company etc.

The Company observed Vigilance awareness week from 31<sup>st</sup> October 2011 to 5<sup>th</sup> November 2011 at all Manufacturing Units of ITI Limited including its administrative offices, as well as at Corporate Office. Open-house discussions were held with Middle Management Executives of the Company, with

specific emphasis on streamlining the Systems and Procedures in Procurement and recording the Reasons for proposing / taking requisite Commercial / Administrative decisions. The main thrust was also to enhance the Vigilance Awareness across the Company and provide a platform for the participants to interact, seek more information and clarify doubts on vigilance concepts and functions.

Impetus was given to review the pendency of Cases periodically to expedite logical conclusions of the pending cases. Periodical appraisals were also made to the Board of Directors on Vigilance Matters.

The Vigilance department is endeavoring to lay more emphasis to preventive vigilance, scrutinizing the documents and conducting surprise checks in sensitive departments. These actions had good impact for creating awareness amongst Company Executives on Vigilance Facets of Company Governance.

### **RIGHT TO INFORMATION:**

Ever since the introduction of Right to Information Act, 2005, there has been a reasonable increase in the number of information seekers. The number of requests received during 2011-12 was 358 in comparison to the requests of previous year of 321. As a part of mandatory requirement, the returns are now being submitted every quarter to our Ministry for onward submission to Central Information Commission.

At present, we have a designated Public Information Officer for every unit and a CPIO at Corporate Office. The first appeals are being addressed by Appellate Authority at Corporate level. The Transparency Officer has been nominated to ensure the overall compliance of the RTI Act and as a single window interface with the public and the Central Information Commission.

The retention schedule of records has been formulated and being implemented which is one such step of our dedicated and sincere efforts of RTI Cell in complying with relevant provisions under RTI Act for transparency.



**AWARDS:****EVENTS & Awards :****Two ITI Women Employees Honoured with PM's Shram Award**

Two employees of ITI Ltd Ms. Mamta Dubey and Ms. Suman Srivastava received the Prime Minister's Shram Award from Dr. Manmohan Singh at a function in New Delhi. Mr.K.L.Dhingra, CMD of ITI Ltd was also present on the occasion. Ms. Dubey developed a machine based test and repair set-up for turret board and main display boards of note counting machine, thus making the product more reliable and reducing the testing time, earlier this was a manual process. Ms. Srivastava's contribution in Transreceiver (TRA module) assembly resulted in process simplification and zero rejection by remodelling the Jigs and has resulted in significant improvement in increasing productivity almost to the time of 23%. Both are employees of ITI Mankapur in Gonda District of Uttar Pradesh.



Ms. Suman Srivastava receiving the award from the Prime Minister, Dr. Manmohan Singh.



Ms. Mamta Dubey receiving the award from the Prime Minister, Dr. Manmohan Singh.

**ITI Bags National Safety Awards from Ministry of Labour & Employment**

ITI Ltd. has bagged the prestigious 'National Safety Awards' from the Ministry of Labour & Employment for the performance year 2009. Mr. K. L. Dhingra, CMD, ITI Ltd, received these awards from Mr. Mallikarjun Kharge, Minister for Labour & Employment at a function in New Delhi on November 29, 2011.

ITI's Mankapur Plant emerged as the winner in the scheme I (based on the lowest average frequency rate) and scheme II (based on accident free year). ITI's Rae Bareli Plant was runner-up in the lowest average frequency rate of accident (scheme I).

**ITI participated in the prestigious INDIA TELECOM 2011**

ITI participated in the prestigious INDIA TELECOM 2011, 6<sup>th</sup> International Exhibition & Conference organized by DoT and FICCI on December 7-9, 2011 at Pragati Maidan, New Delhi. The theme of event was "Total Solutions for Global Communications".

### Mr. Milind Deora Focuses on ITI's Revival, Inaugurates Gas Plant

Mr. Milind Deora, the Union Minister of State for Communication and Information Technology, visited ITI on October 29, 2011 and discussed issues related to ITI's revival, its financial performance, manpower, Research and Development, its diversification and revival strategies. "We have to revive and we want to revive ITI", he told the senior executives of the Company at a presentation held on the Company's revival strategy at the Corporate Office. Mr. K. L. Dhingra, CMD of ITI Ltd welcomed Mr. Deora and briefed him about the Company activities.

### Honorable Union Minister Mr. Kapil Sibal Inaugurates ITI Lab., Assures A Smile Back on ITI

Mr. Kapil Sibal, Union Minister of Communications & IT and HRD, inaugurated "New Products Lab" at ITI on February 6, 2012 and said his Ministry would do everything possible to revive ITI and "bring back smiles" on faces of employees. "Your company has been a backbone of telecom industry and we will not allow it to go down", he told to the packed audience at ITI Plant. Mr. R. Chandrashekhar, Secretary DoT and Mr. K.L. Dhingra, CMD of ITI, employees and top officials from Defence, Banks and other PSUs were present on the occasion.



### DoT Secretary Visits Bangalore Plant

Mr. R. Chandrashekhar, Secretary DOT, visited Bangalore plant on February 6 2012. In the SMT Line, ITI Officials brief in about SMD populated cards. They also explain to him the features and capabilities of the line, as well as in-circuit tester being used.

### ITI MoU Concentrates on Revival Plans

ITI signed a Memorandum of Understanding (MoU) with the Government for the year 2012-13. Mr.R.Chandrasekhar, Secretary, DoT and Chairman, Telecom Commission and Mr.K.L.Dhingra, CMD, ITI Ltd. signed the MoU in New Delhi on March 12, 2012.

The thrust areas of MoU include pursuing growth opportunities in telecom sector and exploiting diversified businesses such as renewable energy. The MoU envisages that ITI concentrate on revival plans with due approval of the Government agencies. The Company has also committed to follow DPE guidelines for the Corporate Governance, Corporate Social Responsibility, Research & Development and Human Resources Management. The Company will also address other critical issues such as up gradation of plant infrastructure and reduction of surplus manpower through VRS.

## ITI's Maiden Venture at DEFEXPO 2012

ITI Ltd has participated in DEFEXPO 2012 for the first time. The exhibition is being held in New Delhi from March 29 to April 1, 2012. ITI has showcased its products and services relevant to the defence sector. Mr. A. K. Antony, Union Defense Minister visited the ITI stall where he was received by Mr.K.L.Dhingra, CMD, ITI Ltd. Dr. M. M. Pallam Raju, Minister of State for Defence and Dr. Vijay Kumar Saraswat, Scientific Advisor to the Minister of Defence were present on the occasion. The dignitaries were briefed about ITI activities and its contribution to the defence sector communication activities.

## Secretary DPE Visits ITI

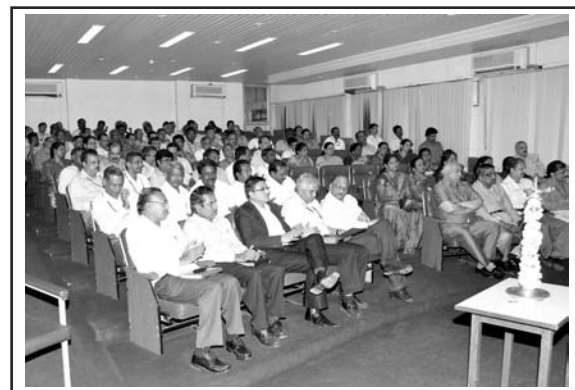


Mr. O.P. Rawat (IAS), Secretary, Department of Public Enterprises (DPE), visited ITI's Corporate Office and Bangalore Plant on April 27, 2012 and discussed several issues related to ITI's business with senior executives at the Corporate Office.

Mr. O.P. Rawat (IAS), Secretary, Department of Public Enterprises (DPE), planting a sapling at ITI's Bangalore Plant. Mr. K.L. Dhingra, CMD, Mr. R. K. Agarwal, Director – Marketing, Mr.K.K Gupta, Director- Production, Mr.Ravi Khandelwal, Director-Finance and other Senior Officers of the Company were present on the occasion.

## World Telecommunication and Information Society day

World Telecommunication and Information Society day has been celebrated for the year 2012 and the Theme selected by International Telecommunication Union (ITU) was **“WOMEN AND GIRLS IN ICT”**.



As part of the Program a combined valedictory function of World Telecommunication and Information Society day was held on 17.05.2012 at Bangalore Plant. Lt. Col. A M Uniyal (Retd), GM- B welcomed the gathering. Mr.P.Raghavan, Chief General Manager, BSNL Karnataka Telecom Circle was the Chief Guest of the program and delivered the Key note address. Mr. K L Dhingra, CMD ITI Ltd. in his presidential address emphasized the need of Technology towards Women and Girls in ICT. He further stated that ITI will put all out efforts to ensure that women and girls are benefited from the technology. Mr. K K Gupta, Director- Production, Mr. Ravi Khandelwal, Director-Finance, Mr.R Venkataraman, Chief Vigilance Officer gracing the function.

**ENTERTAINMENT EXPENDITURE AND FOREIGN TRAVEL:**

The expenditure on entertainment was NIL. Expenditure on official travel abroad by the officials of the Company amounted to ` 0.50 lakhs during the year.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required to be disclosed under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are annexed.

**PARTICULARS OF EMPLOYEES:**

The statement of particulars of employees drawing remuneration of 60.00 lakhs and above per annum or 5.00 lakhs and above per month are required to be included in the Directors' report as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Amendment Rules, 2011, as amended, are NIL for 2011-2012.

**AUDITORS:**

Pursuant to Section 619(2) of the Companies Act, 1956, M/s. Badari, Madhusudan & Srinivasan, Chartered Accountants, Bangalore were appointed as Statutory Auditors of the Company for the year 2011-2012 by the Comptroller & Auditor General of India.

The following firms of Chartered Accountants were appointed /re-appointed as Branch Auditors for different Plants of the Company for the year 2011-2012:-

M/s. Nagendra Gupta & Co., Naini Plant, Allahabad

M/s Thrivikraman & Co., Palakkad, Palakkad Plant

M/s Samriti & Associates, Jammu, Srinagar Plant

M/s Habibullah & Co., Gorakhpur, Mankapur Plant

M/s S. C. Singh & Co., Rae Bareli, Plant

**BOARD OF DIRECTORS:**

The following changes took place in the Directorate of your Company since the last Report.

In accordance with the requirements of the Companies Act, 1956, Shri M. Balakrishnan, Independent Director, and Dr. S. K. Chaudhuri, Independent Director will retire by rotation at this Annual General Meeting and eligible, offer themselves for re-appointment.

Your Directors wish to place on record their appreciation of the services rendered by Shri A.K.Srivastava, Shri N.K.Srivastava, Lt. Gen. P. Mohapatra during their tenure.

**CORPORATE GOVERNANCE:**

A report on Corporate Governance along with a Compliance Certificate from the Auditors as prescribed under the Listing Agreement with the Stock Exchanges on which the Company's shares are listed, is annexed to this report.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the provisions under Section 217(2AA) of the Companies Act, 1956 your Directors state that:

- (i) in the preparation of annual accounts, the applicable accounting standards have been followed and that there were no material departures.
- (ii) the accounting policies adopted by the Company have been applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2012 and Loss of the Company for the period ended 31.3.2012.
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

**ACKNOWLEDGEMENT:**

Your Directors place on record their sincere thanks for the assistance and support extended by the Ministry of Communications & IT and various other Ministries of Central and State Governments viz., Karnataka, Uttar Pradesh, Kerala and Jammu & Kashmir and look forward for their continued support and co-operation in future.

Your Directors also wish to express their gratitude for the co-operation and assistance extended by BSNL and MTNL, Banks, Suppliers, Shareholders, Bondholders, Depositors, Agents, Customers and Foreign Collaborators, Committee on Public Undertakings (COPU), Standing Committee on Public Enterprises (SCOPE) and Standing Committee on Information Technology.

Your Board also expresses its sincere thanks to the Comptroller and Auditor General of India, Chairman and Member of the Audit Board and Statutory and Branch Auditors.

Your Directors take this opportunity to place on record their appreciation for the valuable contribution made and excellent co-operation rendered by the employees at all levels for the progress and prosperity of the Company.

For and on behalf of the  
BOARD OF DIRECTORS

Place : Bangalore  
Date:11.08.2012

**(K. L. DHINGRA)**  
CHAIRMAN AND MANAGING DIRECTOR

## ADDENDUM TO THE DIRECTORS REPORT

### COMPANY'S REPLIES TO STATUTORY AUDITOR'S OBSERVATIONS IN THEIR REPORT

Point No.	Statutory Auditors Observations	Company's Remarks
5(iv)	In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 <i>except for improvement in Project Accounting System under AS-7,</i>	The company has issued Project Accounting manual during 2011-12 with prescribed guidelines and procedures to be followed by the units and it is under implementation. With this, significant improvement is expected in the system of Project Accounting of the Company.
5(iv)a	<i>Non reconciliation of CENVAT credit aggregating to Rs 4.53 crores</i>	Reconciliation is in Progress.
5(iv)b	<i>Non provision for interest on royalty payable to C-DOT vide note no.35 not quantifiable</i>	Interest on Royalty payable to C-DOT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time from C-DOT on account of Rent payable for our premises leased out to them.
5(iv)c	<i>Non confirmation of balances in respect of creditors, debtors, advances from customers, claims recoverable, loans and advances, materials with fabricators, sub-contractors/others, material in transit, deposits, loans, sales tax, VAT, excise duty, Cenvat and service tax.</i>	This fact is disclosed in Note No.40.6 of the company accounts.
5(iv)d	<i>The Company has not provided for a sum of Rs.26.85 crores being penalty levied for nonpayment of Guarantee fees which has resulted in understatement of loss and current liabilities;</i>	The Company has taken up with Ministry for waiver of Guarantee Fees and penalty thereon and Ministry has approved the waiver in principle.
5(iv)e	<i>Interest and penalty leviable for non-remittance of statutory dues, on sales recognized on provisional basis, delayed/short remittance of other statutory dues and non-deduction of TDS as per the provisions of Income Tax Act 1961 is not ascertainable.</i>	All known liabilities have been accounted for. There are no cases of non-deduction of TDS to the best of our knowledge.
1a	Company has maintained proper records showing particulars including quantitative details and depreciation over the life of the asset, <i>but however needs to be updated with details of location of the asset and impairment loss, if any &amp; details of revaluation.</i>	Noted for compliance.
1b	According to information and explanations given to us, fixed assets have been physically verified by the management <i>only in Naini, Mankapur &amp; Srinagar units.</i>	Noted
2b	According to information and explanations given to us, the procedure for physical verification of inventory <i>followed by the management needs to be strengthened in order to be reasonable and adequate in relation to the size of the company and the nature of its business.</i>	Noted.
7	Company has its own Internal Audit department; however, in our opinion the <i>internal audit needs to be strengthened in terms of personnel, coverage, scope of the work and regular reporting in order to be commensurate with size and nature of its business.</i>	Company is making efforts to strengthen the Internal Audit Department and improve coverage, extent and scope of the internal audit work.

## ADDENDUM TO THE DIRECTORS REPORT

### COMPANY'S REPLIES TO STATUTORY AUDITOR'S OBSERVATIONS IN THEIR REPORT

Point No.	Statutory Auditors Observations	Company's Remarks									
9 a	<p>Company has been generally regular in depositing undisputed statutory dues with the appropriate authorities <i>except for statutory dues on sales set on provisional basis, the PF dues of Rae Bareli and Naini unit.</i></p> <p>According to the information and explanations given to us, following undisputed statutory dues are in arrears for more than 6 months and remain unremitted on 31.03.2012.</p>	<p>a. Financial assistance sought from Ministry under Draft Rehabilitation scheme (DRS) to clear the dues since the Company is Sick.</p> <p>b. No Comments</p>									
	<table border="1"> <thead> <tr> <th></th> <th>Statutory Dues</th> <th>Amount (Rs.in Lacs)</th> </tr> </thead> <tbody> <tr> <td>a.</td> <td>Provident Fund</td> <td>4141</td> </tr> <tr> <td>b.</td> <td>Sales Tax, Excise Duty &amp; Entry Tax</td> <td>Not ascertained as sales recognized on provisional basis</td> </tr> </tbody> </table>			Statutory Dues	Amount (Rs.in Lacs)	a.	Provident Fund	4141	b.	Sales Tax, Excise Duty & Entry Tax	Not ascertained as sales recognized on provisional basis
			Statutory Dues	Amount (Rs.in Lacs)							
	a.		Provident Fund	4141							
b.	Sales Tax, Excise Duty & Entry Tax	Not ascertained as sales recognized on provisional basis									
10	<p>The net worth of the Company (without reckoning the revaluation reserve) as on 31.03.2012 has completely eroded. Further Company has incurred cash losses of Rs.348.5 crores and Rs.335.48 crores for the financial year 2011-12 and 2010-11 respectively</p>	Noted.									

## ANNEXURE TO THE DIRECTORS' REPORT

Section 217 (1) (e) of the Companies Act, 1956 read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

### A. CONSERVATION OF ENERGY:

(a) Energy conservation measure taken:

The Company has under taken following energy saving measures:

1. Recommendations of Bureau of Energy Efficiency have been implemented from time to time.
2. Optimum usage of Plant & Utilities.
3. Monitoring of power factor at regular interval.
4. Replacement of old high capacity equipments with multiple optimum size capacity energy efficient ones.
5. Replace conventional electro-magnetic ballast fluorescent fitting with electronic ballast fluorescent tri-phosphate lamp fitting.
6. Running time of various tube wells / compressors has been rationalized.
7. Replacement of old and less energy efficient UPS by portable small capacity UPS.
8. Offloading of Central Air Conditioning plant in winter season.
9. Use of timer control devices in street lighting, etc.
10. Diverting the load on single transformer to reduce no-load losses.
11. Training programmes / competitions among employees to create awareness on energy conservation.

(b) Additional investments if any, being implemented for reduction of consumption of energy. : Nil

(c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. : N.A.

(d) Total energy consumption and consumption per unit of production as per Form 'A' of the Annexure in respect of industries specified in schedule thereto. : N.A.

### **B. TECHNOLOGY ABSORPTION:**

Efforts made in Technology absorption as per Form B



**F O R M – 'B'**  
**Annexure- D**

**RESEARCH AND DEVELOPMENT (R&D) 2011-12**

**(i) Specific areas of R&D work.**

- a) Design and Development of products in Encryption, SCADA, Wireless, Biometrics, Access Productions and Telephones
- b) Value addition of the existing products.
- c) Provide Network & security Solution designs.

**(ii) Benefits derived as a result of the above R&D.**

- a) The following R&D Products were productionised which contributed more than ₹ 11 Crores to the turnover of the Company.

- 1) PRIMARY MUX
- 2) ANANDA MK II BEU
- 3) IP ENCRYPTOR
- 4) TELEPHONES & SPARES ( 5B, 5C, Magneto, FAT-2A, Naval Telephone)
- 5) CLOCK DISTRIBUTION UNIT
- 6) Executive Telephone System ( ETS -04)
- b) SCADA for Railways is under productionisation.

**(iii) PLAN OF ACTION:**

The following products are under development

- a) ADSL CPE
- b) ISM Band Radio.
- c) Direct fiber coupled wireless optical communication system
- d) SCADA for Water Management.
- e) Biometric Telephone
- f) Next Generation BEU.
- g) Terminal End Secrecy Device.

**(iv) Future Projects to be considered for Development**

- 1) 1 Gbps IP Encryptor
- 2) 10 Gbps IP Encryptor

**(iv) R&D Expenditure**

a) Capital	₹ 0.02 Crores
b) Revenue	₹ 20.85 Crores
<b>TOTAL</b>	<b>₹ 20.87 Crores</b>

Total R&D Expenditure as a percentage of total 2.26% turnover ( Including Excise Duty)

## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

### 1. Efforts in brief made towards technology absorption, adaptation and innovation:

- a. Manufacture of GSM BTS at Mankapur and Raebareli plants.
- b. Development and manufacture of Tower, Shelter, SMPS for GSM Network.
- c. Manufacturing of G-PON equipments based on C-DOT technology.
- d. Manufacturing of Smart card based Citizen ID cards.
- e. Manufacturing of Solar panels and LED lighting systems.

### 2. Benefits derived as a result of the above efforts:

As a result of the above endeavor, ITI has been able to make concerted efforts into Mobile equipment manufacturing activities, make forays into wireless Broadband market as well as Next Generation Network environment.

### 3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) information may be furnished:

GSM-BTS manufacturing with Alcatel-Lucent Technology has been fully stabilized.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (i) Activities relating to exports, initiative taken to increase exports, development of new Export markets for products and services and export plans;  
Offered external plant solutions; supply of spare cards. Development of new Export Markets for products and services.

- (ii) Total Foreign Exchange earning and outgo:

Earnings	: ` NIL. Crs
Outgo	: ` 161.94 Crs.

Registered Office:  
ITI Bhavan,  
Doorvaninagar,  
Bangalore - 560 016

For and on behalf of the  
BOARD OF DIRECTORS

Place : Bangalore  
Date:11.08.2012

(K. L. DHINGRA)  
CHAIRMAN AND MANAGING DIRECTOR

## ANNEXURE TO THE DIRECTOR'S REPORT

### REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective of enhancing shareholder value and discharge of social responsibility. The Company has complied with guidelines on Corporate Governance for CPSEs. In pursuance of Listing Agreement with the stock exchanges, the report on Corporate Governance is as follows:

#### 1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:-

The Company strongly believes that good Corporate Governance practices should be enshrined in all activities of the Company to ensure efficient conduct of the affairs of the Company, discharging social responsibilities as a corporate citizen, customer satisfaction, enhancing shareholder value etc.

ITI Limited, therefore committed to the highest standards of corporate governance, follows the basic tenets of integrity, transparency, accountability, high degree of disclosures and responsibility in all its activities and has put in place systems of good Corporate Governance.

#### 2. BOARD OF DIRECTORS:-

As on 31<sup>st</sup> March 2012, Board of Directors comprises of Chairman & Managing Director, including CMD 4 Full Time Directors, 1 Part-time Director from Ministry of Communications & IT, 1 Part-time Director from Ministry of Defence, Government of India and 3 Independent Directors.

During the year, 4 Board Meetings were held on 13.05.2011, 12.08.2011, 14.11.2011 and 14.02.2012.

The composition of Directors, their attendance at the board meetings during the financial year and at the last Annual / Extra-Ordinary General Meeting as also number of other directorships held by them are as follows:

Name of the Directors	Category Of Director-Ship	Meeting held during respective tenure of Director	No. of Board Meeting attended	Attendance at last AGM	Number of Other Directorship	No. of Committees in which Chairman / Member
Shri .K. L. Dhingra	CMD	4	4	Yes	1	--
Shri R.K. Agrawal	D-M	4	4	Yes	--	--
Shri K.K Gupta	D-P	4	4	Yes	1	--
Shri Ravi Khandelwal	D-F	4	4	Yes	1	--
Lt.Gen.P.Mohapatra (upto 31.08.2011)	Govt. Nominee	2	1	No	2	-
Prof M. Balakrishnan	Independent Director	4	--	No	--	--
Shri T.S. Narayanasami	Independent Director	4	3	Yes	9	1 - Chairman, 7- Member
Dr. S.K. Chaudhuri	Independent Director	4	2	No	--	-
Lt.Gen.S.P.Kochhar (from 16.01.2012)	Govt. Nominee	1	--	N/A	2	-
Shri N.K.Joshi (from 16.01.2012)	Govt. Nominee	1	1	No		
Shri N.K.Srivastava (upto 30.11.2011)	Govt. Nominee	2	2	No	--	
Shri A.K.Srivastava (upto 31.07.2011)	Govt. Nominee	1	--	No	--	

### **CODE OF CONDUCT :**

Board of Directors of your Company has laid down a Code of Conduct for all Board members and senior management of the Company as per Clause 49 of the Listing Agreement with Stock Exchange. The Code of Conduct has been posted on your Company's website [www.itild-india.com](http://www.itild-india.com) All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration to this effect signed by the Chairman and Managing Director is annexed to this report.

### **3. AUDIT COMMITTEE:**

The terms of reference of the Audit Committee are as per guidelines set-out in the Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

The Audit Committee was last reconstituted on 14.05.2012. The Company's Audit Committee consisted of three Independent Directors, One Whole-time Director.

Shri T.S. Narayanasami is a Chairman of Audit Committee and other members are Dr.S.K.Chaudhuri,

Shri K.K. Gupta, and Shri M.Balakrishnan as member. In addition, the Statutory Auditors of the Company, the Director- Finance, Internal Auditor and other Executives who are considered necessary generally attend these meetings. The Company Secretary is the Secretary to the Audit Committee. Chairman of the preceding Audit Committee attended the Annual General Meeting of the Company held on 28.09.2011.

The Committee oversees, inter alia, the financial reporting system and disclosure requirements. The Committee also reviews periodically the financial accounts, compliance with Accounting standards, internal control systems, financial and risk management policies of the Company.

During the year-ended 31.03.2012 the Audit Committee met 4 times on 13.05.2011, 12.08.2011, 14.11.2011, and 09.02.2012.

The attendance of Chairman & Members of the Audit Committee in these meetings was as follows:

Name	Meeting held during respective tenure of Director	No. of meetings attended
Shri A.K. Srivastava	1	-
Shri A.S.Bansal	1	1
Shri A.K. Jain	1	1
Shri V. H. Ron	1	1
Shri Keshav Saran	1	1
Shri K.K. Gupta	4	4
Shri T.S. Narayanasami	4	4
Shri A.K.Srivastava	1	-
Dr.S.K.Chaudhuri	3	3
Shri N.K.Srivastava	1	1

#### 4. REMUNERATION COMMITTEE / REMUNERATION POLICY

Being a Central Public Sector Enterprise, the appointment, tenure and remuneration of Directors are decided by the Government of India through administrative Ministry and hence, the Company has not constituted any Remuneration Committee.

The remuneration paid to Whole-time Directors for the financial year 2011-12 are as follows:

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
1. Shri K.L. Dhingra	2124503	--	127843	164874	2417220
2. Shri R.K. Agrawal	811888	68772	96996	119985	1097641
3. Shri K.K. Gupta	808553	66642	96595	119484	1091274
4. Shri Ravi Khandelwal	1492489	--	114782	122496	1729767

Part-time Government Directors (non-executive Directors) are not paid any remuneration. They are also not paid sitting fees for attending Board/Committee meetings. However, the Independent Directors are paid sitting fees of ₹3000/- for attending Board/Committee Meetings. An amount of ₹60,000 has been paid as sitting fee to the Independent Directors during the year for attending the Board and Committee Meetings.

#### 5. SHARES AND BONDS TRANSFER COMMITTEE:

The Share and Bond Transfer Committee consisted of Single member Shri B.P. Gupta, Director –Finance. On attaining the age of superannuation Shri B.P. Gupta, Director-Finance was relieved of his duties from the post on 31.01.2011. Therefore, the Committee was reconstituted on 11.02.2011 comprising of Director-HR and Director –Finance and senior most member was chairing the meeting.

The Shares and Bonds Transfer Committee was again reconstituted on 13.05.2011 comprising of Shri K.K. Gupta as Chairman and Shri Ravi Khandelwal, Director-Finance as member.

The Shares and Bonds Transfer Committee approves transfer/transmission of shares / bonds, split/consolidation proposals and other related work. Company Secretary, is the Compliance Officer.

#### 6. INVESTORS' GRIEVANCE COMMITTEE:

The Investors' Grievance Committee consists of Shri V.H.Ron as Chairman, Shri A.K. Srivastava and Shri K.K. Khurana as members. The committee looks into the grievances of the investors of the company.

The Company has a shareholders base of 44,385. During the year 1 complaint in the nature of non-receipt of dividend warrants, non-receipt of share certificates after effecting transfer, requests for issue of duplicate share certificates, non-receipt of Annual Report were received from the shareholder and it has been resolved to the satisfaction of the shareholder.

#### 7. GENERAL BODY MEETINGS:

The dates, time and venue of the previous Annual / Extra-Ordinary General Meetings held during the last three years are given below:

YEAR	DATE	TIME	VENUE
2010-2011	28.09.2011	11.30 A.M	BANGALORE TAMIL SANGAM, BANGALORE
2009-2010	30.09.2010	11.30 A.M	BANGALORE TAMIL SANGAM, BANGALORE
2008-2009	30.09.2009	11.30 A.M	BANGALORE TAMIL SANGAM, BANGALORE

All the resolutions, including special resolutions, set out in the respective notices of last three Annual General Meetings were passed by the shareholders. No resolutions were put through postal ballot last year.

#### 8. DISCLOSURES:

- (i) There were no transactions of material nature with the directors or the management or their relatives during the year.
- (ii) There were no cases of non-compliance by the Company and no penalties/strictures were imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authority on any matter related to capital markets, during the last three years.

#### 9. MEANS OF COMMUNICATION:

The quarterly and annual financial results of the Company are sent to the Stock Exchange by means of facsimile transmission/e-mail and letter by courier immediately after they have taken on record by the Board. The quarterly unaudited results are published in the Business Standard, Udayavani (in kannada) and Rajasthan Patrika. Press releases are also being sent to the Stock Exchange and posted on Company's website [www.itilt-india.com](http://www.itilt-india.com) and EDIFAR-SEBI website [www.sebiedifar@nic.in](mailto:www.sebiedifar@nic.in).

The Company's website contains separate section for Investor under the heading Financial Information wherein Company's Annual Report, Quarterly financial results and shareholding pattern are available on the website in downloadable form.

No presentation has been made to institutional investors or analysts.

#### 10. GENERAL SHAREHOLDERS INFORMATION:

The 62<sup>nd</sup> Annual General Meeting of the members of the company is scheduled to be held on Friday, the 28.09.2012 at 11.30 A.M. at BANGALORE TAMIL SANGAM Bangalore-560 042.

The company's financial year is divided into 4 quarters, viz.

FIRST quarter	1 <sup>ST</sup> APRIL TO 30 <sup>TH</sup> JUNE
SECOND quarter	1 <sup>ST</sup> JULY TO 30 <sup>TH</sup> SEPTEMBER
THIRD quarter	1 <sup>ST</sup> OCTOBER TO 31 <sup>ST</sup> DECEMBER
FOURTH quarter	1 <sup>ST</sup> JANUARY TO 31 <sup>ST</sup> MARCH

The share transfer books would remain closed during the period from 21.09.2012 to 28.09.2012 (both days inclusive).

The Company's shares are listed at Bombay Stock Exchange Ltd., Mumbai and The National Stock Exchange of India Ltd. Your Company has remitted the Listing fees for the year 2011-2012 to the above Stock Exchanges. Scrip Code of Bombay Stock Exchange is - Scrip Code:523610.

#### **11. STOCK MARKET PRICE DATA FOR THE YEAR 2011-2012:**

The market quotation of Company's shares on Bombay Stock Exchange is as follows:

<b>MONTH</b>	<b>HIGH</b>	<b>LOW</b>
APRIL 2011	40.40	31.90
MAY 2011	35.95	31.05
JUNE 2011	35.70	29.40
JULY 2011	34.30	30.30
AUGUST 2011	30.65	22.45
SEPTEMBER 2011	27.00	21.40
OCTOBER 2011	24.50	19.15
NOVEMBER 2011	24.90	17.85
DECEMBER 2011	21.00	16.15
JANUARY 2012	25.35	17.15
FEBRUARY 2012	31.05	23.10
MARCH 2012	32.00	23.10

For any assistance regarding share transfers, transmissions, change of address, non-receipt of dividends, duplicate, missing share certificates and other relevant matters, the Registrars and Share Transfer Agents of the Company at the following address may be contacted:

M/s Integrated Enterprises (India) Ltd.  
 (formerly M/S Alpha Systems Pvt. Ltd.)  
 30, Ramana Residency,  
 4<sup>th</sup> Cross, Sampige Road,  
 Malleswaram, Bangalore 560 003.  
 Phone No.080- 23460815-818  
 Fax: 080 23460819 E-Mail: [alfint@vsnl.com](mailto:alfint@vsnl.com)

#### **12. ITI CODE FOR PREVENTION OF INSIDER TRADING:**

ITI has adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company. The ITI Insider Trading Rules, interalia, prohibits purchase/sale of shares of the Company by employees who are in possession of unpublished price sensitive information in relation to the Company.



### 13. SHARE TRANSFER SYSTEM:

All kinds of Investors' related services, both for physical and electronic segments are handled by M/s Integrated Enterprises (India) Ltd. (formerly Alpha Systems Private Ltd.), Registrars and Share Transfer Agents at their address mentioned above. Transfer of dematerialized shares is done through the depositories with no involvement of the Company. As regards transfer, transmission of shares held in physical form, the transfer documents can be lodged with Registrar, afterwards they will send memorandum of transfer to the Company for approval. The Share Transfer Committee of the Company considers the same once in a fortnight and conveys its approval to the Registrars, who despatch the duly transferred share certificates to the shareholders concerned.

As on 31<sup>st</sup> March 2012, a total of 1,94,69,871 shares of the Company, which forms 96.29% of the disinvested portion of 7.02% (2,02,19,310) of the share capital of the company stands dematerialized. The shares held by President of India (26,74,68,190) and Governor of Karnataka (3,12,500) aggregating to 92.98% are in physical form.

### 14. SHAREHOLDING PATTERN (EQUITY):

Name	No. of Shares of Rs. 10/- each	Amount Rs.	Percentage
President of India ( GOI)	267468190	2674681900	92.87
Governor of Karnataka(GOK)	312500	3125000	0.11
General Public Disinvested portion)	20219310	202193100	7.02
<b>TOTAL</b>	<b>288000000</b>	<b>2880000000</b>	<b>100.00</b>

### 15. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2012:

SI.No	Description	Holders	% of Holders	Holdings	% of Holdings
1	1-500	38949	87.75	6281215	2.18
2	501-1000	3087	6.95	2636525	0.92
3	1001-2000	1241	2.80	1958917	0.68
4	2001-3000	369	0.83	963769	0.33
5	3001-4000	173	0.39	631271	0.22
6	4001-5000	197	0.44	951233	0.33
7	5001-10000	214	0.48	1623546	0.56
8	10001& above	156	0.36	272953524	94.78
	<b>TOTAL</b>	<b>44386</b>	<b>100.00</b>	<b>288000000</b>	<b>100.00</b>

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### I. INDUSTRY STRUCTURE, OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

The Indian telecommunications industry is one of the fastest growing in the world. The industry has witnessed consistent growth during the last year on the back of rollout by new operators, auction of third-generation (3G) and broadband wireless access (BWA) spectrum, network rollout in semi-rural areas and increased focus on the value added services (VAS) market.

According to the Telecom Regulatory Authority of India (TRAI), the number of telephone subscriber base in the country reached 846.32 million at the end of March 31, 2012. The booming domestic telecom market has been attracting huge amounts of investment which is likely to accelerate with the entry of new players and launch of new service. The 'Indian Telecom Industry' services are not confined to basic telephone but it manufactures a vast range of telecom equipment using state-of-the-art technology.

Customers are now at their peaks on choice of operators and the various kinds of services they desire. To remain competitive, telecom Companies have to transform their operations, re-engineer business processes and deploy flexible technology architecture that can accommodate business and regulatory demands easily. Broadband and wireless networks, as well as the likely convergence of various technologies and standards, will drive the telecom market growth in India in the coming years.

With state-of-the-art manufacturing facilities spread across six locations and a countrywide network of marketing/service outlets, the Company offers complete range of telecom products and total solutions covering the whole spectrum of Switching, Transmission, Access and Subscriber Premises equipment. In tune with the technology trend, ITI has continued to manufacture mobile equipment based on GSM (Global System for Mobile).

To improve the financial health of company ITI Management has suggested to enlist into Defense business in a big way. For this, it has requested Gol for funds in order to enter into ToT and working capital. ITI has also requested for orders on nomination basis as other Defense PSUs get. Defense PSUs are having huge order book as compared to their capacities. Hence, there is good business opportunity in this sector also.

#### **Opportunities and Threats:**

As per New Telecom Policy, there is vast scope for indigenous manufacturing in telecom for ITI. It emphasizes on Indian IPR also. Keeping this in view, ITI has signed an agreement with Centre for Development of Telematics (C-DoT) concerning transfer of technology for C-DoT Gigabit Passive Optical Network (G-PON) System. This association between ITI and C-DoT will strengthen and develop the indigenous technologies on a commercial scale.

ITI has been looking for various business opportunities in area such as New Generation Network (NGN), Broadband for Panchayat, Infrastructure at Rural Sites for Mobile Connectivity, Defence Products, LED Lighting Business and Solar Power Solutions as an existing as well as diversified products.

In the changing environment, the Company has identified the following threats:

- Large number of international players.

- Open market competition with MNCs like ZTE, Huawei, Alcatel-Lucent, Nokia, Ericsson, Siemens etc.
- Rising prices of Input.
- Keeping pace with technology change,
- Private Participation in the Industry,
- Exorbitant cost for sourcing of Technology.
- Foreign exchange volatility
- No approval of inducting new talent by Ministry

### Future Outlook:

ITI is putting thrust on diversified businesses. The Company is focusing on the National Population Register (NPR) project and is also expecting a good business in the Unique Identification (UID) project. ITI is also planning to address Government of India Projects like 'Broadband to Panchayats'.

Your Company is laying emphasis on training and redeployment of manpower for faster skill formation in new areas to ensure that ITI remains highly competitive in the growing convergence era, which is one of thrust area of MoU which was signed with Telecom Commission for the year 2011-12. Other areas are quality, technology upgradation reduction of non-performing assets and realization of sundry debtors.

ITI's revival plan envisages re-alignment and upgradation of manufacturing infrastructure and building a solutions and services business and diversification with focus on IT and telecom software and manufacturing of defense equipment.

## II. RISK MANAGEMENT

Telecom Sector is witnessing a rapid change both in market and technology fronts.

Your Company continues to believe that managing risk is critical for its growth and sustenance. The Company has adopted a Risk Management framework, which comprises the risk organization structure, procedures and the risk management policies. The Company is constantly monitoring and assessing the internal as well as external risk factors associated with its day to day business operations and financial management and thereby effectively mitigating possible risks associated therewith. The Company's business, operating results and financials are subject to various risks and uncertainties. Some of them are as Changes in Economy, Financial Risk, Interest Risk, change in market and technology etc.

Your Company has laid focus on Risk assessment for all projects thereby improving project performance and avoiding uncertainties.

## III. HUMAN RESOURCES

As at 31st March, 2012, your Company had a total strength of 9512 as compared to 10616 at the end of the previous year.

## IV. INTERNAL CONTROL MEASURES

The Company has an adequate system of Internal Control Measures with a view to provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Company has an Internal Audit Department, which continuously reviews compliance with the Company's procedures, policies, applicable laws and regulations. The department coordinates with the Units/Divisions of the Company for ensuring coverage of all areas of operations in order to bring a

transparency in the whole spectrum of the Company. The Internal Control Systems are reviewed by the Audit Committee. The CEO/CFO certification provided elsewhere in the report discusses about the adequacy of our internal control systems and procedures.

## V. FINANCIAL PERFORMANCE

Your Company has achieved a sales turnover of ₹ 922 Crs. for the year ended 31<sup>st</sup> March, 2012, as compared to ₹ 2139 Crs. in the previous year.

### CAPITAL STRUCTURE :

The Authorised Share Capital of the Company is ₹ 700,00,00,000 (Rupees Seven Hundred Crs. only) divided into 30,00,00,000 equity shares of ₹ 10/- each and 4,00,00,000 Redeemable Cumulative Preference Shares of ₹ 100/- each.

The paid up Share Capital of the Company comprises of ₹ 288 Crs. as Equity Shares and ₹ 300 Crs. as Preference Shares.

## VI. CAUTIONARY STATEMENT

Statements made in the Management Discussion and Analysis about your Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's performance include economic conditions affecting demand/supply and price conditions in the domestic market in which your Company operates, changes in Government regulations, tax laws, statutes and other incidental/related matters.

## DECLARATION

As provided under clause 49 of the Listing Agreement with Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management Personnel of the Company for the year ended 31<sup>st</sup> March, 2012.

For **ITI LIMITED**

Place : Bangalore  
Date : 11.08.2012

**K. L. DHINGRA**  
Chairman and Managing Director

## CEO/ CFO CERTIFICATION

To the Board of Directors of ITI Ltd.

Dear Sirs,

### SUB: CEO/ CFO CERTIFICATION

(Issued in accordance with provisions of Clause 49 of the Listing Agreement)

We have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' report of ITI Limited for the year ended March 31, 2012 and that to the best of our knowledge and belief, we state that:

- (a) (i) These statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading.
- (ii) These statements present a true and fair view of your Company's affairs, and are in compliance with existing accounting standards and / or applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or in violation of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) We have disclosed, wherever applicable to your Company's Auditors and the audit committee of the Company's Board of Directors
  - (i) significant changes in internal controls during the year covered by this report:
  - (ii) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
  - (iii) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in your Company's internal control system:

Place : Bangalore  
Dt.:11.08.2012

**K. L. Dhingra**  
Chairman and Managing Director

## CERTIFICATE OF CORPORATE GOVERNANCE

To the Members of ITI Ltd,

We have examined the compliance of conditions of Corporate Governance by ITI Ltd., for the year ended on 31st March, 2012 as stipulated in clause 49 of the listing agreement of the said company with the stock exchanges.

The Compliance of conditions of corporate governance is the responsibility of Company's Management. Our examination was limited to review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financials of the Company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following:

1. Company does not have the required strength of independent Directors whereas it should have ensured that half of its board of directors should comprise of independent directors, as it has an executive chairman.
2. Company has not constituted remuneration committee as stipulated under the listing agreement due to fixation of remuneration by department of public enterprises.
3. Based on the certificate received from the share transfer agents of the company, we state that no investor grievance is pending for a period exceeding one month.

We certify that the Company has complied with the conditions of corporate governance as stipulated in the aforementioned listing agreement.

We further state that such compliance is neither an assurance as the future viability nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **BADARI, MADHUSUDHAN & SRINIVASAN**  
CHARTERED ACCOUNTANTS

sd/-

**(N. SRINIVASAN)**  
PARTNER

Membership No. 027887  
FRN 005389S

Place: Bangalore  
Date: 11.08.2012

## SIGNIFICANT ACCOUNTING POLICIES

### 1.0 **Basis of Preparation of Financial Statements.**

The Financial Statements have been prepared as a going concern, under the historical cost convention, on accrual basis of accounting in accordance with the provisions of the Companies Act 1956 and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

### 2.00 **Fixed Assets**

2.01 Fixed Assets are recorded at cost net of MODVAT relief wherever availed.

2.02 Fixed Assets acquired free of cost or gifted to ITI are recorded at Market Value at the time of acquisition and the amount is credited to Capital Reserve.

2.03 Any Capital Grant-in-Aid given for a specific project by any agency is initially credited to Grant-in-Aid (Capital) and this amount is adjusted to the Profit and Loss Account over the useful life of the assets.

2.04 Expenditure on development of leasehold land is capitalised as Land Development Expenditure and is written off over a period of 5 years, commencing from the year in which such expenditure is incurred.

2.05 Capital Expenditure on R & D is treated as Fixed Assets.

2.06 To assess fair value of a tangible fixed asset revaluation of the tangible fixed asset is done. Such fair value of tangible fixed asset is appraised by professionally qualified valuers. The difference between the carrying amount of tangible fixed asset and revalued amount pertaining to the tangible asset is credited to a revaluation reserve in the Balance sheet.

### 3.00 **Inventories**

3.01 Raw materials, components and stores purchased for manufacturing / production activities are valued at weighted average rate as at the end of the year. Where the same items are both purchased and manufactured, manufacturing costs are generally adopted for valuation.

3.02 Raw materials and production stores with Ancillaries and Fabricators are valued at cost as at

the time of issue to the Ancillaries and Fabricators.  
3.03 Manufactured items in Stock and Stock-in-Trade are valued at cost excluding Interest Charges, Administration Overheads and Sales overheads or at the net realisable value whichever is less.

### 3.04 **Work-in-process**

(i) Work-in-process (production) is valued on the basis of physically verified quantities at cost excluding interest charges, administration overheads and sales overheads or at the net realisable value whichever is less.

(ii) Work-in-process (Installation) is valued at cost as recorded in the Work Orders.

3.05 Precious metals scrap is valued and brought to books at the year end.

### 4.00 **Tools and Gauges**

4.01 Expenditure on special purpose tools and fixtures is initially capitalised for amortisation on production, based on technical assessment.

4.02 Loose tools are charged to revenue at the time of issue.

### 5.00 **Intangible Assets**

5.01 Expenditure on training personnel, foreign technicians fee and expenses, technical know how, documentation etc. specific to the product / projects are recognised as intangible asset.

5.02 Expenditure on development of new products / technologies, development of software where enduring benefits are expected is recognised as intangible asset.

5.03 Intangible assets are recorded at cost initially.

### 6.00 **Depreciation**

6.01 Depreciation is charged on Straight Line Method in accordance with the useful life of the asset as assessed by the Management. However the rates of depreciation adopted in the books are not less than the rates specified in Schedule-XIV of the Companies Act, 1956.

6.02 Depreciation on additions and deletions to fixed assets during a year is provided on pro rata basis as follows:

(a) Depreciation is reckoned in full for the month of addition for the assets commissioned on or before 15th day of a

## SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- month while no depreciation is reckoned for the month of addition for the assets commissioned after 15th of the month.
- (b) In respect of assets sold, discarded, damaged or destroyed on or before 15th day of a month no depreciation is reckoned for the month of deletion while for the assets sold, discarded, damaged or destroyed after 15th of the month depreciation is reckoned in full for the month of deletion.
- 6.03 Depreciation on intangible assets are charged to revenue based on the economic benefits drawn by the company over the useful life not exceeding ten years based on techno-commercial assessment.
- 6.04 In the case of depreciable assets which have been revalued depreciation is calculated on straight line method on the revalued amount. The difference between depreciation on the asset based on revaluation and that on original cost is transferred from revaluation reserve to the Profit and Loss account
- 7.00 **Prior period items**
- Adjustments arising due to errors or omissions in the financial statements of earlier years are accounted under "Prior Period Adjustments" if the amount involved is Rs. Five Lakhs or more in each transaction.
- 8.00 **Rate of Foreign Exchange**
- Current Assets / Liabilities / Long term Liabilities towards imported fixed assets, equipments and components are initially accounted at the rate of exchange ruling on the date of transaction and outstanding liabilities on the Balance Sheet date are updated at the rate of exchange ruling on the date of Balance Sheet. The conversion difference is charged off in the Profit and Loss Account.
- 9.00 **Recognition of Revenue**
- a) Sales include Excise Duty and exclude Sales Tax.
- b) Revenue from sale of goods is recognized based on valid sales contract.
- c) Revenue from customer accepted sale of goods/other sale of goods is recognized on the date of dispatch of goods from the company's premises to the customer. In the case of FOR destination contracts, if there is a reasonable expectation of the goods reaching destination within the accounting period, revenue is recognised. Goods ready for dispatch but held in the company's premises at the customers specific request is also recognised as sale of goods.
- d) Where prices are not established, sales are set up provisionally at prices likely to be realized.
- e) Export sales are treated as sales on issue of Bill of Lading.
- f) Provision is made separately for likely disallowance by customers including Liquidated Damages for contracts executed during the year.
- 10.00 **Warranty Liability**
- Warranty liability for contractual obligation in respect of equipments sold to customers is accounted on the basis of an annual technical assessment.
- 11.00 **Government Grants**
- (i) Government grants relating to Revenue are initially credited to Grant-in-Aid (Revenue).
- (ii) Where the grants are intended to compensate cost incurred in an accounting year an amount of grant to the extent of related cost are recognized as income in the Profit and Loss Account.
- (iii) Where the grants are for purpose of giving immediate financial support/compensation for expenses incurred in a previous accounting period, with no further related cost, these are recognized as income in the Profit & Loss Account in the year of receipt.
- 12.00 **Recognition of Revenue on Construction / Turnkey Contracts**
- Revenue is recognised on percentage completion method. The accounting of contract revenue and contract cost associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Expected loss on the contract is fully accounted.
- 13.00 **Employee Benefits**
- i) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related



## SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- service is rendered.
- ii) Post employment benefit viz. gratuity and other long-term employee benefits viz. Privilege Leave, Sick Leave and LLTC are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the profit and loss account.
- iii) VRS
- (a) Where grant is received for VRS, expenditure related to VRS is fully charged to the Profit & Loss account in the year of incidence. Equivalent amount of grant is credited to Profit & Loss account.
- (b) Where no grant is received for VRS, the expenditure related to VRS incurred up to 31<sup>st</sup> March 2010 will be deferred, which will be written off in equal installments by 31<sup>st</sup> March 2011, including the year of incidence. Such expenditure incurred after 31<sup>st</sup> March 2010 will be written off in the year of

incidence.

### 14.00 Borrowing Cost

Borrowing cost, that is directly attributable to the acquisition / production or construction of fixed assets or inventories which require a substantial period to get ready for its intended use or to bring them to saleable condition is capitalised as part of the cost of the fixed assets or inventory valuation respectively.

### 15.00 Impairment of Assets

At the end of each Balance sheet date the carrying amount of assets are assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found lesser than the carrying amount, then the impairment loss is recognized and assets are written down to the recoverable amount.

### 16.00 Deferred Tax

Deferred tax is recognized for all timing differences, subject to the consideration of prudence in respect of deferred tax assets.

**As per our report of even date**  
**For BADARI MADHUSUDHAN & SRINIVASAN**  
 Chartered Accountants

sd/-

**N.SRINIVASAN**

Partner

M.No.027887

Firm Reg No.: 005389S

sd/-

**K.T.MAYURANATHAN**

Company Secretary

sd/-

**K.K.GUPTA**

Director – Production

sd/-

**K.L. DHINGRA**

Chairman and Managing Director

Place: Bangalore

Date: 11/08/2012

BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012

Particulars	Note No.	₹ in Lakhs	
		As at 31.03.2012	As at 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholder's Funds			
(a) Share Capital	1	58800.00	58800.00
(b) Reserves and Surplus	2	82521.13	121860.65
(c) Money received against share warrants	3	0.00	0.00
		141321.13	180660.65
(2) Share application money pending allotment	4	0.00	0.00
(3) Non-Current Liabilities			
(a) Long-term borrowings	5	0.00	0.00
(b) Trade Payables	6	105120.80	112008.56
(c) Other Long term liabilities	7	28421.91	10537.52
(d) Long term provisions	8	12669.05	12722.66
		146211.76	135268.74
(4) Current Liabilities			
(a) Short-term borrowings	9	48299.53	34104.01
(b) Trade payables	10	187757.00	261718.45
(c) Other current liabilities	11	170794.31	169093.87
(d) Short-term provisions	12	28893.77	25273.27
		435744.61	490189.60
<b>Total</b>		<b>435744.61</b>	<b>490189.60</b>
<b>Grand Total</b>		<b>723277.50</b>	<b>806118.99</b>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	13	251204.04	254140.69
(ii) Intangible assets	14	470.33	627.10
(iii) Capital work-in-progress	15	177.75	683.39
(iv) Intangible assets under development	16	0.00	0.00
(b) Non-current investments	17	40.55	40.55
(c) Deferred tax assets (net)	18	0.00	0.00
(d) Long term loans and advances	19	15.86	15.78
(e) Trade receivables	20	127041.49	150170.01
		378950.02	405677.52
(2) Current assets			
(a) Current investments	21	0.00	0.00
(b) Inventories	22	11261.91	11788.72
(c) Trade receivables	23	299783.45	347712.99
(d) Cash and cash equivalents	24	2125.86	9369.24
(e) Short-term loans and advances	25	31032.15	31524.64
(f) Other current assets	26	124.11	45.88
		344327.48	400441.47
<b>Total</b>		<b>344327.48</b>	<b>400441.47</b>
<b>Grand Total</b>		<b>723277.50</b>	<b>806118.99</b>

See the accompanying notes to the financial statements

As per our report of even date  
For BADARI MADHUSUDHAN AND SRINIVASAN  
Chartered Accountants

sd/-  
N. SRINIVASAN  
Partner  
M. NO. 027887  
Firm Reg No.: 005389S  
Place: Bangalore  
Date : 11/08/2012

sd/-  
K.T.MAYURANATHAN  
Company Secretary

sd/-  
K.K.GUPTA  
Director-Production

sd/-  
K. L. DHINGRA  
Chairman and Managing Director

**PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

₹ in Lakhs

Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>III. Income:</b>			
I. Revenue from operations	27	91596.16	209966.26
II. Other Income	28	<u>3302.54</u>	<u>7391.34</u>
III. Total Revenue (I + II)		94898.70	217357.60
<b>IV. Expenses:</b>			
Cost of materials consumed	29	15468.34	38064.85
Purchase of Stock-in-Trade	30	16040.96	128178.55
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	31	(284.18)	8674.95
Installation & Maintenance Charges		42228.64	18977.38
Employee benefit expense	32	40144.91	38952.43
Financial costs	33	8524.77	6603.40
Depreciation and amortization expense	34	2130.31	2226.71
Other expenses	35	7513.90	11785.39
Total Expenses*		131767.65	253463.66
Less: Transfer to Capital Account	36	<u>1.88</u>	<u>0.30</u>
IV(A) Prior period adjustments(Net)	37	(112.84)	330.90
V. Profit before exceptional and extraordinary items and tax(III-IV-IV(A))		(36979.91)	(35774.86)
VI. Exceptional Items	38	0.00	0.00
VII. Profit before extraordinary items and tax (V - VI)		(36979.91)	(35774.86)
VIII. Extraordinary Items	39	0.00	0.00
IX. Profit before tax (VII - VIII)		(36979.91)	(35774.86)
X. Tax expense:			
(1) Current tax		0.00	0.00
(2) Deferred tax		0.00	0.00
XI. Profit/(Loss) for the period from continuing operations (IX-X)		(36979.91)	(35774.86)
XII. Profit/(Loss) from discontinuing operations		0.00	0.00
XIII. Tax expense of discounting operations		0.00	0.00
XIV. Profit/(Loss) from discontinuing operations (XII - XIII)		0.00	0.00
XV. Profit/(Loss) for the period (XI + XIV)		(36979.91)	(35774.86)
XVI. Earning per equity share:(in ₹)			
(1) Basic		(13.76)	(13.35)
(2) Diluted		(13.76)	(13.35)

\*Includes expenditure on R&D ₹2084.68lacs(previous year ₹1901lacs) under various heads.

See the accompanying notes to the financial statements

As per our report of even date

For BADARI MADHUSUDHAN AND SRINIVASAN

Chartered Accountants

sd/-

N. SRINIVASAN

Partner

M. NO. 027887

Firm Reg No.: 005389S

Place: Bangalore

Date : 11/08/2012

sd/-

K.T.MAYURANATHAN

Company Secretary

sd/-

K.K.GUPTA

Director-Production

sd/-

K. L. DHINGRA

Chairman and Managing Director

## NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Note No.1</b>		
<b>a) SHARE CAPITAL</b>		
<b>1) Equity</b>		
a) Authorised 30,00,00,000 equity shares of ₹10 each	30000.00	30000.00
b) Issued 28,80,00,000 equity shares of ₹10 each	28800.00	28800.00
c) Subscribed and Fully Paid-up * 28,80,00,000 equity shares of ₹10 each	28800.00	28800.00
d) Subscribed & not fully paid up	0.00	0.00
e) Par value per share	0.00	0.00
f) Calls unpaid	0.00	0.00
g) Forfeited shares	0.00	0.00
h) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period	<b>As at 31.03.2012</b>	<b>As at 31.03.2011</b>
Number of shares outstanding O.B	288000000	288000000
Add issues during the year	0	0
Less: Buy back/forfeiture during the year	0	0
Number of shares outstanding C.B	<b>288000000</b>	<b>288000000</b>
i) The rights and preferences and restrictions attaching to the above class of shares		
- Each holder of Equity share is entitled to one vote per share.		
- In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.		
j) List of share holders holding more than 5% shares		
<u>Name</u>	<u>No. of shares held</u>	<u>No. of shares held</u>
1. President of India	267465690	267465690
* Government of India has disinvested 7% of the Equity shares to Financial Institutions, Banks, Mutual Funds and Employees.		
k) During last 5 years:		
i) Aggregate number of shares allotted with out being received in cash	Nil	Nil
ii) Aggregate number of shares allotted as fully paid up by way of bonus shares	Nil	Nil
iii) Aggregate number and class of shares bought back	Nil	Nil
<b>II) Preference Shares</b>		
<b>Authorised</b>		
400 lacs Preference Shares of ₹ 100 each		
-8.75% Cumulative Redeemable Preference Shares	0	0
<b>a) Issued</b>		
100 lacs 8.75% Cumulative Redeemable Preference Shares of ₹100 each REDEEMABLE AT PAR IN 5 EQUAL INSTALLMENTS FROM March 2005	10000.00	10000.00
<b>b) Subscribed and Fully Paid-up</b>		
100 lacs 8.75% Cumulative Redeemable Preference Shares of ₹100 each REDEEMABLE AT PAR IN 5 EQUAL INSTALLMENTS FROM March 2005	10000.00	10000.00
c) Subscribed & not fully paid up		
d) Par value per share(₹100)	0.00	0.00
e) Calls un paid		
f) Forfeited shares		
g) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period	<b>As at 31.03.2012</b>	<b>As at 31.03.2011</b>
Number of shares outstanding O.B	10000000	10000000
Add issues during the year	0	0
Less: Buy back/forfeiture during the year	0	0
Number of shares outstanding C.B	<b>10000000</b>	<b>10000000</b>
h) The rights and preferences and restrictions attaching to the above class of shares		
- Each holder of the preference shares is entitled to one vote per share only on resolutions placed before the company which directly affect the rights attached to preference shares.		

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
- In the event of liquidation of the company, the holders of preference shares will be entitled to receive assets of the company, before distribution to equity share holders. The distribution will be in proportion to the number of shares held by the shareholders.		
i)List of share holders holding more than 5% shares	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
<u>Name</u>	<u>No.of shares held</u>	<u>No.of shares held</u>
Mahanagar Telephone Nigam Ltd.	10000000	10000000
j)During last 5 years:		
i)Aggregate number of shares allotted with out being received in cash	0	0
ii)Aggregate number of shares allotted as fully paid up by way of bonus shares	0	0
iii)Aggregate number and class of shares bought back	0	0
Dividend in respect of following class of Cumulative Redeemable Preference Shares are in arrears as detailed below:		
	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
a) On 8.75% Cumulative Preference Shares from 2002-03 (The figures indicated are excluding Dividend Distribution Tax) Redemption installments in respect of the following Cumulative Redeemable Preference shares issued by the company have not been paid on due dates on account of fund constraints	8750.00	8775.00
Redemption installments due on 31st March 2005 to 31st March 2009 in respect of 8.75 % Preference Shares of ₹10000LAKHS	10000.00	10000.00
<u>-7% Cumulative Redeemable Preference Shares</u>		
<u>a) Issued</u>		
200 lacs 7.00% Cumulative Redeemable Preference shares of ₹100 each, redeemable at par in 5 equal installments from March 2006, with call option to BSNL after expiry of one year from the date of investment 31.03.2003	20000.00	20000.00
<u>b) Subscribed and Fully Paid-up</u>		
200 lacs 7.00% Cumulative Redeemable Preference shares of ₹100 each, redeemable at par in 5 equal installments from March 2006, with call option to BSNL after expiry of one year from the date of investment 31.03.2003	20000.00	20000.00
<u>c) Subscribed &amp; not fully paid up</u>		
<u>d) Par value per share(₹100)</u>	0.00	0.00
<u>e) Calls unpaid</u>	0.00	0.00
<u>f) Forfeited shares</u>	0.00	0.00
g) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
Number of shares outstanding O.B	20000000	20000000
Add issues during the year	0	0
Less: Buy back/forfeiture during the year	0	0
Number of shares outstanding C.B	20000000	20000000
h) The rights and preferences and restrictions attaching to the above class of shares		
- Each holder of the preference shares is entitled to one vote per share only on resolutions placed before the company which directly affect the rights attached to preference shares.		
- In the event of liquidation of the company, the holders of preference shares will be entitled to receive assets of the company, before distribution to equity share holders. The distribution will be in proportion to the number of shares held by the shareholders.		
i)List of share holders holding more than 5% shares	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
<u>Name</u>	<u>No.of shares held</u>	<u>No.of shares held</u>
Bharat Sanchar Nigam Ltd.	20000000	20000000
j)During last 5 years:		
i)Aggregate number of shares allotted with out being received in cash	0	0
ii)Aggregate number of shares allotted as fully paid up by way of bonus shares	0	0
iii)Aggregate number and class of shares bought back	0	0
Dividend in respect of following class of Cumulative Redeemable Preference Shares are in arrears:		
	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
On 7.00% Cumulative Preference Shares from 2003-04 (The figures indicated are excluding Dividend Distribution Tax) Redemption installments in respect of the following Cumulative Redeemable Preference shares issued by the company have not been paid on due dates on account of fund constraints	12600.00	11200.00
Redemption installments due on 31 st March 2006 to 31st March 2010 in respect of 7% Preference Shares of ₹20000 LAKHS	20000.00	20000.00

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011	
<b>Note No. 2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>a) Capital Reserves</b>			
<b>i) Free Land Gifted</b>			
O.B As per last B/S	25.30	25.30	
Additions	0.00	0.00	
Total	25.30	25.30	
Deductions	0.00	0.00	
Closing balance		25.30	25.30
<b>ii) Free Equipment gifted</b>			
Opening balance as per last B/S	718.65	812.39	
Less-Transfer to P&L	93.74	93.74	
Closing Balance		624.91	718.65
<b>iii) Capital Grant in aid</b>			
As per last Balance Sheet	268900.00	250900.00	
Transfer from Grant in aid (capital)	0.00	18000.00	
Closing Balance		268900.00	268900.00
<b>b) Capital Redemption Reserve</b>			
O.B as per last B/S	0.00	0.00	
Additions	0.00	0.00	
Total	0.00	0.00	
Deductions	0.00	0.00	
Closing balance		0.00	0.00
<b>c) Securities premium reserve</b>			
O.B as per last B/S	29.61	29.61	
Additions	0.00	0.00	
Total	29.61	29.61	
Deductions	0.00	0.00	
Closing balance		29.61	29.61
<b>d) Debenture Redemption reserve</b>			
Opening balance as per last B/S	210.00	710.00	
Less-Transfer to General Reserve	0.00	500.00	
Closing Balance		210.00	210.00
<b>e) Revaluation Reserve</b>			
<b>i) Revaluation reserves- Land</b>			
Opening balance as per last B/S	227611.21	227611.21	
Less-Reversal on sale of land	0.00	0.00	
Closing Balance		227611.21	227611.21
<b>ii) Revaluation reserves-Buildings</b>			
Opening balance as per last B/S	14779.26	17194.56	
Less-Transfer to P&L	1784.14	2415.30	
Closing Balance		12995.12	14779.26
<b>f) Other Reserves</b>			
<b>i) General reserve:</b>			
Opening balance as per last B/S	0.00	0.00	
Add: Transfer from Bonds Redemption Reserve	0.00	500.00	
Less-Transfer to P&L	0.00	500.00	
Closing Balance		0.00	0.00
<b>ii) Profit on Sale of Fixed Assets</b>			
Opening balance as per last B/S	166.79	166.79	
Less-Transfer to P&L	0.00	0.00	
Closing Balance		166.79	166.79
<b>iii) Sale of Technical know-how</b>			
As per last Balance Sheet	3.50	3.50	
Less-Transfer to P&L	0.00	0.00	
Closing Balance		3.50	3.50
<b>iv) Industrial Housing Subsidy</b>			
As per last Balance Sheet	6.78	6.78	
Less-Transfer to P&L	0.00	0.00	
Closing Balance		6.78	6.78
<b>v) Investment allowance reserve</b>			
As per last Balance Sheet	0.00	0.00	
LESS: Transfer to General reserve	0.00	0.00	
Closing Balance		0.00	0.00

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
<b>g) Surplus</b>		
As per last Balance sheet	(397518.88)	(361744.03)
Add: Profit/(Loss) for the year	(36979.91)	(35774.86)
<b>Total</b>	<b>(434498.79)</b>	<b>(397518.89)</b>
<b>Less- Appropriations</b>		
Less-Transfer from P&L A/C-(Loss for the year)	0.00	0.00
Closing Balance	0.00	0.00
	<b>(434498.79)</b>	<b>(397518.89)</b>
<b>h) Grant-in-Aid</b>		
<b>i) Grant-in-aid (Capital) :</b>		
As per last Balance Sheet	2185.15	2660.10
Add: Receipts during the year	10.49	18000.00
<b>Total</b>	<b>2195.64</b>	<b>20660.10</b>
Less: Transfer to revenue GIA/Capital reserves	0.00	18000.00
Less: Transfer to Profit & Loss Account	472.38	474.95
Closing Balance	1723.26	2185.15
<b>ii) Grant-in-aid (Revenue)</b>		
As per last Balance Sheet	4743.29	4820.33
Add : Receipts during the year	0.00	0.00
Add : Transfer to P&L a/c / From Capital GIA/ Corporate	19.85	77.07
<b>Total</b>	<b>4763.14</b>	<b>4897.40</b>
Less: Transfer to Profit & Loss Account	19.85	77.07
Less: Transfer to UNITS	19.85	77.04
Closing Balance	4723.44	4743.29
Total Grant-in-Aid	6446.70	6928.44
<b>TOTAL RESERVES AND SURPLUS</b>	<b>82521.13</b>	<b>121860.65</b>
<b>Note No.3</b>		
Money received against share warrants	0.00	0.00
<b>Note No.4</b>		
Share application money pending allotment	0.00	0.00
<b>Note No.5</b>		
<b>NON-CURRENT LIABILITIES</b>		
<b>LONG TERM BORROWINGS</b>		
<b>i) SECURED LOANS</b>		
Floating Rate Bonds	0.00	0.00
Term Loans from Banks	0.00	0.00
Others	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>
<b>ii) UNSECURED LOANS</b>		
Loan from Government of India	0.00	0.00
Interest accrued and due on the above	0.00	0.00
Floating Rate Bonds	0.00	0.00
Term Loans from Banks	0.00	0.00
Deferred payment liabilities	0.00	0.00
Deposits	0.00	0.00
Loans and advances from related parties	0.00	0.00
Long term maturities of finance lease obligation	0.00	0.00
Other loan - Ku Band	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>
<b>G.TOTAL</b>	<b>0.00</b>	<b>0.00</b>
<b>Note No.6</b>		
<b>Trade Payables-Non current</b>		
For goods supplied		
- Micro small and medium enterprises	0.00	0.00
- Others	104189.78	111374.38
<b>TOTAL</b>	<b>104189.78</b>	<b>111374.38</b>
For Expenses and Services	221.99	634.18
For Other Liabilities	709.03	0.00
<b>TOTAL</b>	<b>105120.80</b>	<b>112008.56</b>
<b>Note No.7</b>		
<b>Other Long Term Liabilities</b>		
Security deposit received	538.81	579.41
Others	27883.10	9958.11
<b>G.TOTAL</b>	<b>28421.91</b>	<b>10537.52</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011	
<b>Note No.8</b>			
LONG TERM Provisions			
a) Provision for employee Benefits			
i) for Gratuity			
As per Last Balance Sheet	0.00	0.00	
Add: Provision for the year	0.00	0.00	
Less: Transfer to gratuity trust	0.00	0.00	
Add: Transfer from gratuity trust	0.00	0.00	
Add: Transfer from Corporate	0.00	0.00	
Less: Transfer to UNITS	0.00	0.00	
Less: Payments	0.00	0.00	
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<u>For privilege Leave</u>			
As per Last Balance Sheet	12689.70	11312.55	
Less : Transfer to Corporate	0.00	0.00	
Add: Provision for the year	(64.29)	1472.04	
Less: Payments	316.37	440.60	
<b>TOTAL</b>	<b>12309.04</b>	<b>12343.99</b>	<b>12343.99</b>
<u>For sick Leave</u>			
As per Last Balance Sheet	382.45	422.52	
Add: Provision for the year	(22.44)	(43.85)	
Less: Payments	0.00	0.00	
<b>TOTAL</b>	<b>360.01</b>	<b>378.67</b>	<b>378.67</b>
ii) Others	0.00	0.00	0.00
<b>G. TOTAL</b>	<b>12669.05</b>	<b>12722.66</b>	<b>12722.66</b>
<b>Note No.9</b>			
<u>CURRENT LIABILITIES</u>			
i) <u>Short term borrowings</u>			
<u>Loans repayable on demand</u>			
<u>-secured loans</u>			
Cash credit from State Bank of India and other members of the consortium of Banks against hypothecation of stocks, stores & rawmaterials, debts& advances and second charge on all Fixed Assets both movable and immovable .( Limit ₹84500 lakhs, P.Y. ₹84500 lakhs)	48299.53	34104.01	
<u>-Unsecured loans</u>			
Loans and advances from related parties	0.00	0.00	
Deposits	0.00	0.00	
Other loans and advances	0.00	0.00	
<b>TOTAL</b>	<b>48299.53</b>	<b>34104.01</b>	<b>34104.01</b>
<b>Note No.10</b>			
<u>Trade Payables</u>			
For goods supplied			
- Micro small and medium enterprises	4.87	7.69	
- Others	111478.74	182857.30	
<b>TOTAL</b>	<b>111483.61</b>	<b>182864.99</b>	
For Expenses and Services	55465.27	53319.34	
For Other Liabilities(Including Excise duty on Stock-in-Trade ₹0.00 Lakhs P.Y. ₹0.00 Lakhs)	20808.12	25534.12	
For goods received and in transit adv as per contra in Note No. 22	0.00	0.00	
<b>TOTAL</b>	<b>187757.00</b>	<b>261718.45</b>	<b>261718.45</b>
Deposits, fallen due and not claimed for refunds, is shown as current liabilities as at 31.03.2012	<b>23.79</b>	<b>23.79</b>	<b>23.79</b>
A list of micro, small and medium enterprises to whom the Company owe any sum together with interest outstanding to the extent identified.			
<u>AS PER ENCLOSURE</u>			
Disclosure of dues/payments to micro and small enterprises to the extent such enterprises are identified by the company.			
(a) Principal amount remain unpaid on 31.03.2012.	4.87	7.69	
(b) Interest due thereon remaining unpaid on 31.03.2012.	0.00	0.00	
(c) The amount of interest paid and principal paid beyond the appointed day during the financial year 2011-12.	0.00	0.00	
(d) Amount of interest due and payable for delay in payments(which have been paid beyond the appointed day during the F.Y.2011-12) but without adding interest under the MSMED Act, 2007.	0.00	0.00	
(e) Amount of interest accrued and remaining unpaid on 31.03.2012.	0.00	0.00	
(f) Amount of further Interest remaining due and payable even in succeeding years (until such interest dues are paid to small enterprises).	0.00	0.00	



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Note No.11</b>		
<u>Other current liabilities</u>		
<u>current maturities of long term debts</u>		
"I" series Bonds of ₹1000000/- each: _____		
-6.40% ISSUED IN MARCH'2004 redeemable at par in March 2009(with put/call option after 3 years from the date of allotment)	210.00	210.00
Period of continuing default in the repayment of loans: 36 Months		
Interest Accrued and due on Bonds	18.00	18.00
Period of continuing default in the repayment of interest: 36 Months Secured by first charge on all fixed assets of the company both movable and immovable present and future and ranking pari pasu in favour of bond holders.Charges are created in favour of Canara Bank as agents and trustees of Bond holders.		
<u>Current maturities of finance lease obligations</u>	0.00	0.00
Interest Accrued but not due on Borrowings	0.00	0.00
Interest Accrued and due on Borrowings	0.00	0.00
<u>Income received in advance</u>	0.00	0.00
<u>Unpaid matured deposits and interest accrued thereon</u>	0.00	0.00
<u>Unpaid matured debentures and interest accrued thereon</u> For Expenses and Services	0.00 2521.79	0.00 2018.24
For Other Liabilities (including Excise Duty on Stock in Trade ₹ 1.65 Lakhs Previous year ₹ 71.95lakhs)	1480.28	1569.20
Other payables	1951.38	0.00
Duties & Taxes	288.65	0.46
Advances from Customers	160992.81	161969.27
Unclaimed Dividend	0.00	14.12
Interest accrued but not due on Loans	0.00	0.00
Apprentices Security Deposit	7.87	7.75
Deposits from Contractors	3323.53	3286.83
TOTAL	170794.31	169093.87

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Note No.12</b>		
<b><u>OTHER SHORT TERM PROVISIONS</u></b>		
<b><u>For Taxation</u></b>		
As per last Balance Sheet	53.75	53.75
Add: Provisions during the year	0.00	0.00
Less: Adjustments of provisions relating to earlier years	0.00	0.00
<b>Total</b>	<b>53.75</b>	<b>53.75</b>
<b><u>For gratuity</u></b>		
As per Last Balance Sheet	20612.42	4245.44
Add: Provision for the year	3974.02	2253.58
Less: Transfer to gratuity trust	0.00	0.00
Add: Transfer from gratuity trust	4800.36	3852.21
Add: Transfer from Corporate	0.00	14329.00
Less: Payments	4874.80	4067.81
<b>Total</b>	<b>24512.00</b>	<b>20612.42</b>
<b><u>For privilege Leave</u></b>		
As per Last Balance Sheet	3506.64	4898.89
Less : Transfer to Corporate	0.00	0.00
Add: Provision for the year	2321.48	267.90
Less: Payments	1983.66	1314.44
<b>Total</b>	<b>3844.46</b>	<b>3852.35</b>
<b><u>For sick Leave</u></b>		
As per Last Balance Sheet	57.86	74.36
Add: Provision for the year	(11.41)	(12.72)
Less: Payments	0.00	0.00
<b>Total</b>	<b>46.45</b>	<b>61.64</b>
<b><u>For L L T C provision</u></b>		
As per Last Balance Sheet	693.12	810.57
Add: Provision for the year	(10.89)	67.47
Less: Payments	245.12	184.93
<b>TOTAL</b>	<b>437.11</b>	<b>693.11</b>
<b>G.TOTAL</b>	<b>28893.77</b>	<b>25273.27</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

## Note No.13

## Fixed Assets

## Tangible assets

PARTICULARS	GROSS BLOCK AT COST						AS AT 31.03.2012
	AS AT 31.03.2011	ADDITIONS DURING THE YEAR		SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFE RS AND ADJUSTM ENTS	
		Acquisitions through business combination	OTHERS				
TANGIBLE ASSETS	1	2	3	4=1+2+3	5	6	7=4-5-6
LAND							
-FREE HOLD	228610.37	0.00	0.00	228610.37	0.00	3.06	228607.31 *
-LEASE HOLD	142.82	0.00	0.00	142.82	0.00	0.00	142.82 ****
ASSETS GIVEN ON LEASE	7.53	0.00	0.00	7.53	0.00	0.00	7.53
LAND DEVELOPMENT	21.37	0.00	0.00	21.37	0.00	0.00	21.37
BUILDING	52941.33	0.00	38.90	52980.23	0.00	0.00	52980.23 **
PLANT & MACHINERY	78405.27	0.00	783.48	79188.75	89.99	0.00	79098.76 ***
OFFICE M/C & EQPT	2462.00	0.00	10.66	2472.66	0.00	0.00	2472.66
FURNITURE FIXTURE & FITTINGS	1983.78	0.00	0.61	1984.39	0.00	0.00	1984.39
VEHICLES	900.99	0.00	30.69	931.68	23.77	0.00	907.91
<b>TOTAL</b>	<b>365475.46</b>	<b>0.00</b>	<b>864.34</b>	<b>366339.80</b>	<b>113.76</b>	<b>3.06</b>	<b>366222.98</b>
<b>PREVIOUS YEAR</b>	<b>365201.25</b>	<b>0.00</b>	<b>315.86</b>	<b>365517.11</b>	<b>41.66</b>	<b>0.00</b>	<b>365475.45</b>

- Company has not adopted the enhanced estimated useful life of the asset, suggested by registered valuer as this would have resulted in not complying with the requirement of charging minimum depreciation contemplated by schedule XIV of Companies Act, 1956. Consequently company charged off ₹1877.88 Lakhs (Previous year ₹2509.04 Lakhs) as depreciation on revalued asset for the year. However this has no effect on the losses of the year, as this amount is transferred from the revaluation reserve.
- There is a charge of ₹7 lakhs on 400 D type and 624 E type quarters in favour of Govt. of Karnataka towards subsidy received in terms of Subsidised Industrial housing Scheme.
- Factory building is on the leased land, measuring 36 Kanals and 13 Marlas for which extension for lease is under process with J&K Government.
- With reference to Accounting Policy No.6 depreciation has been charged on Fixed assets over their assessed useful life as under.

Fixed Assets	(Years)
A. (a) Building (other than factory buildings)	50
(b) Factory building	28
(c) Purely temporary erections	Year of construction
(d) Building with dwelling units each with plinth area not exceeding 80 sqm.	13
B. Furniture & Fittings	10
C. Plant & Machinery	
(a) General Rate (on double shift basis)	10
(b) Special Rate : - Data Processing Machines including Computers	6
D. Roads and compound Walls	10
E. Office Machinery and Equipment	7
F. Vehicles	7
G. Assets costing less than ₹5,000/- are depreciated @ 100%	

₹ in Lakhs

DEPRECIATION							NET BLOCK		
UPTO 31.03.2011	FOR THE YEAR		SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFE RS AND ADJUST MENTS	Impairment loss/ Reversal of Impairment Loss	UPTO 31.03.2012	Net Carrying Value as at 31.03.2012	Net Carrying Value as at 31.03.2011
	Acquisitions through business combination	OTHERS							
8	9	10	11=8+9+10	12	13	14	15=11-12-13-14	16=7-15	17
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	228607.31	228610.37
23.01	0.00	0.27	23.28	0.00	0.00	0.00	23.28	119.54	119.81
7.53	0.00	0.00	7.53	0.00	0.00	0.00	7.53	0.00	0.00
21.37	0.00	0.00	21.37	0.00	0.00	0.00	21.37	0.00	0.00
35150.97	0.00	2059.63	37210.60	0.00	0.00	0.00	37210.60	15769.63	17790.36
71017.62	0.00	1669.16	72686.78	89.99	0.00	0.00	72596.79	6501.97	7387.65
2372.46	0.00	30.04	2402.50	0.00	0.00	0.00	2402.50	70.16	89.54
1883.22	0.00	24.56	1907.78	0.00	0.00	0.00	1907.78	76.61	100.56
858.60	0.00	14.26	872.86	23.77	0.00	0.00	849.09	58.82	42.39
<b>111334.78</b>	<b>0.00</b>	<b>3797.92</b>	<b>115132.70</b>	<b>113.76</b>	<b>0.00</b>	<b>0.00</b>	<b>115018.94</b>	<b>251204.04</b>	<b>254140.68</b>
<b>106804.26</b>	<b>0.00</b>	<b>4571.87</b>	<b>111376.13</b>	<b>41.37</b>	<b>0.00</b>	<b>0.00</b>	<b>111334.76</b>	<b>254140.69</b>	<b>258396.99</b>

However, in respect of assets having original cost of ₹50,000/- and above, a residual balance of ₹5/- has been retained in the books.

- \* i) Includes ₹25 Lakhs value of land (Before revaluation) gifted by UP Govt. credited to Capital Reserve.
- ii) (a) Land measuring 4653.75 sq.metres has been leased to Department of Tele communications for a period of 99 years commencing from 3.10.1983.
- (b) Formal Conveyance/lease deeds in respect of Land (excepting part of lands at Bangalore & Mankapur) are yet to be executed by the respective State Governments.
- (c) Land measuring 1256.86 Sq. metres has been leased to Dept. of Telecommunications for a period of 99 years commencing from 10.07.1991.
- (d) Registered valuers have revalued Land of the company on 31.3.2006. Land with original cost of Rs ₹1000 Lakhs and written down value of ₹1000 Lakhs have been revalued at ₹228637 Lakhs, resulting in an increase in value by ₹227637 Lakhs.

(iii) 1.83 acres of land is leased to Southern Railways and 0.286 acres of land is leased to ESI corporation.

\*\* Registered valuers have revalued Buildings of the company on 31.3.2006. Buildings with original cost of ₹15277 Lakhs and written down value of ₹ 4631 Lakhs have been revalued at ₹42388 Lakhs, resulting in an increase in value by ₹ 37757 Lakhs.

\*\*\* i) Includes ₹85 Lakhs of plant & machinery given free of cost by UNIDO.

ii) Includes ₹60 Lakhs of plant & machinery cost of which is borne by Ministry of Information Technology.

iii) Includes cost of fixed assets worth ₹5000 Lakhs procured out of Grant received from Government of India during 2004-05

iv) includes ₹937 Lakhs of plant, machinery and Equipments received free of cost by Rae Bareilly unit.

\*\*\*\* Includes ₹26.94 Lakhs payment made to J&K Govt for which lease deed proceedings are in process.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

**Note No.14****Intangible Assets**

GROSS BLOCK AT COST							
PARTICULARS	AS AT 31.03.2011	ADDITIONS DURING THE YEAR		SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFE RS AND ADJUSTM ENTS	AS AT 31.03.2012
		Acquisitions through business combination	OTHERS				
INTANGIBLE ASSETS	1	2	3	4=1+2+3	5	6	7=4-5-6
INTERNALLY GENERATED ASSETS							
PROJECT DEVELOPMENT EXS	1347.26	0.00	0.00	1347.26	0.00	0.00	1347.26
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXTERNALLY GENERATED ASSETS							
TECHNICAL KNOWHOW	1567.77	0.00	0.00	1567.77	0.00	0.00	1567.77
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>2915.03</b>	<b>0.00</b>	<b>0.00</b>	<b>2915.03</b>	<b>0.00</b>	<b>0.00</b>	<b>2915.03</b>
<b>PREVIOUS YEAR</b>	<b>2915.03</b>	<b>0.00</b>	<b>0.00</b>	<b>2915.03</b>	<b>0.00</b>	<b>0.00</b>	<b>2915.03</b>

₹ in Lakhs

UPTO 31.03.2011	FOR THE YEAR		DEPRECIATION				NET BLOCK		
	Acquisitions through business combination	OTHERS	SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFE RS AND ADJUST MENTS	Impairment loss/ Reversal of Impairment Loss	UPTO 31.03.2012	Net Carrying Value as at 31.03.2012	Net Carrying Value as at 31.03.2011
8	9	10	11=8+9+10	12	13	14	15=11-12-13-14	16=7-15	17
1347.26	0.00	0.00	1347.26	0.00	0.00	0.00	1347.26	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
940.67	0.00	156.77	1097.44	0.00	0.00	0.00	1097.44	470.33	627.10
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>2287.93</b>	<b>0.00</b>	<b>156.77</b>	<b>2444.70</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2444.70</b>	<b>470.33</b>	<b>627.10</b>
<b>2131.15</b>	<b>0.00</b>	<b>156.78</b>	<b>2287.93</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2287.93</b>	<b>627.10</b>	<b>783.88</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011	
<b>Note No.15</b>			
<b>CAPITAL WORK-IN-PROGRESS</b>			
Capital Work-in-Progress at Cost	119.39	138.92	
Less: Provision	113.95	113.51	
Total	5.44	25.41	
Materials with Contractors	28.93	28.93	
Less : Provision	28.93	28.93	
Total	0.00	0.00	
<b>Machinery at Cost</b>			
In-Transit	6.58	6.58	
Awaiting Acceptance / Installation	171.82	657.93	
Total	178.40	664.51	
Less:Provision	6.09	6.53	
TOTAL	172.31	657.98	
G.TOTAL	177.75	683.39	
CWIP includes expenditure incurred of ₹113.51 lakhs of a discontinued project relating to 2005-06 for which provision has been made.			
<b>Note no.16</b>			
Intangible assets under development	0.00	0.00	
<b>Note no.17</b>			
<b>NON- CURRENT INVESTMENTS</b>			
<b>Investment in Equity instruments</b>			
Fully Paid at Cost (unquoted)	40.55	40.55	
16,21,800 Equity Shares of ₹10/- each fully paid up in India satcom Limited(joint venture with M/S Chris Tech System Pvt. Ltd) including 1216350 Bonus Shares(extent of investment 49%)	0.00	0.00	
TOTAL	40.55	40.55	
<b>Note no.18</b>			
Deferred tax assets(net)	0.00	0.00	
TOTAL	0.00	0.00	
<b>Note no.19</b>			
Long term loans and advances			
<b>Secured and considered good:</b>			
Capital Advances	0.77	0.77	
Security Deposits/ Margin money	0.00	0.00	
Loans and advances	0.00	0.00	
<b>Considered Doubtful:</b>			
Capital Advances	28.40	28.40	
Security Deposits	0.00	0.00	
Loans and advances	0.00	0.00	
Total	29.17	29.17	
less: provision	28.40	28.40	
TOTAL SECURED LOANS & ADVANCES	0.77	0.77	
<b>Un Secured and considered good:</b>			
Capital Advances	1.62	1.62	
Security Deposits	0.37	0.29	
Loans and advances	14.20	14.20	
<b>Considered Doubtful:</b>	0.00	0.00	
Capital Advances	0.00	0.00	
Security Deposits	0.00	0.00	
Loans and advances	0.00	0.00	
Total	16.19	16.11	
less: provision	1.10	1.10	
Loans and advances due from related parties:			
ISL	0.00	0.00	
TOTAL UNSECURED LOANS& ADVANCES	15.09	15.01	
TOTAL LOANS AND ADVANCES	15.86	15.78	

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011	
<b>Note No.20</b>			
<u>Long Term trade Receivables</u>			
<u>Secured</u>			
- Long term Trade Receivables(Outstanding for a period exceeding 6 months from the date they become due for payment) Considered Good	0.00	0.00	
Considered Doubtful	0.00	0.00	
- LTTR Others	0.00	0.00	
Total	0.00	0.00	
less: Provision	0.00	0.00	
<u>Un Secured</u>			0.00
- Long term Trade Receivables(Outstanding for a period exceeding 6 months from the date they become due for payment)			
Considered good	127041.49	150170.01	
Considered Doubtful	3172.31	3134.16	
- LTTR Others	0.00	0.00	
Total	130213.80	153304.17	
less: Provision	3172.31	3134.16	
	127041.49	150170.01	
G.Total	127041.49	150170.01	
Debtors and Security Deposit of NSU includes ₹ 83.64Lakhs & ₹4Lakhs(p.y ₹83.64 Lakhs and ₹4Lakhs) respectively due from Central Railway. Arbitration proceedings are under progress for the settlement.			
<b>Note No.21</b>			
CURRENT ASSETS			
Current investments			0.00
<b>Note No.22</b>			
<u>INVENTORIES</u>			
(Valued as per Accounting Policy No.3.00)			
Stocks & Stores as taken and certified by Management			
a) Raw material and Production stores	6004.73	6540.34	
Less: Provision for Obsolescence	1587.37	1724.77	
	4417.36	4815.57	
b)Material issued against Fabrication Contracts	100.55	100.99	
Less: Provision	95.47	95.47	
	5.08	5.52	
c)Non-Production Stores	907.77	936.06	
Less: Provision for Obsolescence	251.55	315.68	
	656.22	620.38	
d)Work-in-Process Production	3239.16	3174.65	
Less: Provision	273.76	273.76	
	2965.40	2900.89	
e)Work-in-Process Installation	162.36	0.00	
Less: Provision	0.00	0.00	
	162.36	0.00	
f)Manufactured Components	1469.52	1297.29	
Less: Provision	33.86	47.80	
	1435.66	1249.49	
g) Finished Goods			
Stock-in-Trade	1671.67	1624.21	
( includes ₹137.89 Lakhs, items despatched to customers awaiting billing(Previous year ₹66.21 Lakhs)			
Excise Duty thereon	46.72	124.59	
	1718.39	1748.80	
Less: Provision	1044.61	1044.62	
	673.78	704.18	
h) Stock Reconciliation Account	6.69	66.47	
Less: Provision	6.69	66.47	
	0.00	0.00	
i)Goods Pending Inspection / Acceptance	13.72	238.09	



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
j)Material-in-Transit Advances		
Considered Good	871.94	1253.60
Considered Doubtful	82.23	82.23
	954.17	1335.83
Less: Provision	82.23	82.23
	871.94	1253.60
k)Material received and In-Transit Advances payable as per contra in Schedule 6.1	60.39	0.00
l)Tools and Gauges	0.00	1.00
<b>TOTAL</b>	<b>11261.91</b>	<b>11788.72</b>
As per accounting policy 3.00 on valuation of inventories, manufactured items and items lying as work-in -progress are valued at the lower of cost and net realisable value. Stocks aggregating to ₹1012.56 lacs have been carried at cost due to difficulty in ascertaining net realisable value. However a sum aggregating to ₹ 283.66 lacs has been written off at Bangalore complex.		
<b>DETAILS OF INVENTORY</b>		
a) Raw material and Production stores	10605.69	11168.34
b) Others	656.22	620.38
<b>Note No.23</b>		
<b>Trade Receivables(Current)</b>		
<b>Secured</b>		
Outstanding for a period exceeding 6 months from the date they become due for payment		
Considered Good	0.00	0.00
Considered Doubtful	0.00	0.00
	0.00	0.00
Other Debts Considered Good	0.00	0.00
	0.00	0.00
Less:Provision	0.00	0.00
	0.00	0.00
<b>Un Secured</b>		
Outstanding for a period exceeding 6 months from the date they become due for payment		
Considered Good	277212.54	256653.38
Considered Doubtful	3491.52	2996.47
	280704.06	259649.85
Other Debts Considered Good	22570.91	91059.61
	303274.97	350709.46
Less:Provision	3491.52	2996.47
	299783.45	347712.99
<b>TOTAL TRADE RECEIVABLES</b>	<b>299783.45</b>	<b>347712.99</b>
<b>Note No. 24</b>		
<b>Cash and cash equivalents</b>		
a)Cash-on-Transit	0.00	89.38
b)Cash on hand	32.82	42.32
c) Cheques & Stamps on Hand	2.21	113.38
d)Balance with Banks :		
- On Current Account	1952.85	1855.49
- On Current Account (Apprentices)	5.18	0.00
Unpaid Dividend	0.00	0.00
Security deposits/others	0.00	0.00
LC Margin money	0.00	5801.04
On Savings Account(Apprentices Security Deposits)	5.80	10.66
On short term deposit (margin money)	122.00	756.23
On current Account(Margin money)	5.00	609.00
On Fixed Deposit Account- More than 12 months maturity	0.00	3.68
On Fixed Deposit Account- Less than 12 months maturity	0.00	88.06
	2125.86	9369.24
<b>TOTAL</b>	<b>2125.86</b>	<b>9369.24</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011	
<b>Note No. 25</b>			
Short-term loans and advances			
<u>Secured Advances recoverable in cash or in kind or for value to be received</u>			
Vehicles	0.03	0.03	
House building	0.53	1.94	
Deposits with Customs Department	12.42	28.53	
Deposits with Excise Authorities	3460.99	3337.45	
Other Deposits (includes ₹0.00 lakhs of National saving Certificates.Previous year ₹ 0.00 lakhs)	1847.20	1943.42	
Less: Provision	250.65	250.65	
TOTAL	5070.52	5060.72	
<u>Un secured Advances recoverable in cash or in kind or for value to be received</u>			
Considered Good	10739.24	9345.64	
Considered Doubtful	1293.17	1292.34	
	12032.41	10637.98	
Less: Provision	1293.17	1292.34	
	10739.24	9345.64	
Claims and Expenses Recoverable - Inland			
Considered Good	13854.93	15293.71	
Considered Doubtful	282.14	282.14	
	14137.07	15575.85	
Less: Provision	282.14	282.14	
	13854.93	15293.71	
Claims and expenses recoverable - Foreign			
Considered good	92.57	1132.65	
Considered doubtful	1181.42	1181.42	
	1273.99	2314.07	
Less: Provision	1181.42	1181.42	
	92.57	1132.65	
Advance for Civil Works/ Capital Goods			
Considered good	5.37	5.21	
Considered doubtful	0.00	0.00	
	5.37	5.21	
Less: Provision	0.00	0.00	
	5.37	5.21	
Payment of Advance tax (Net of refunds)	76.66	25.25	
Vehicle advance	0.00	0.00	
Other Deposits	1139.59	546.28	
Less: Provision	5.35	5.35	
	1134.24	540.93	
Interest accrued but not due on short term deposits	58.62	120.53	
TOTAL	25961.63	26463.92	
TOTAL SHORT TERM LOANS AND ADVANCES	31032.15	31524.64	
Claims and expenses recoverable - inland- includes ₹1672.17Lakhs(previous year ₹1672.17 Lakhs) recoverable from M/s HCL Infosystem Ltd . as compensation on account of excess amount spent by ITI Ltd. MANKAPUR. The above is on the basis of agreement entered into between ITI, HCL and Alcatel.			
<b>Note No. 26</b>			
<u>Other current assets</u>			
Taxes & Duties in put	113.97	45.88	
WCT Recoverable	10.14	0.00	
Total	124.11	45.88	

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>Note No. 27</b>		
<b>I. REVENUE FROM OPERATIONS</b>		
i) Sale of Products (Incl. Excise duty & net of Sales tax )	31857.62	182400.56
- Sale of Finished Goods ₹ 9839.60 Lacs( P.Y. ₹ 49859.19 Lacs)		
-Sale of Traded Goods ₹22018.02 Lacs ( P.Y.₹132541.37 Lacs)		
ii) Sale of services(Net of Service Tax)	60352.15	31492.55
iii) Other Operating Revenues:		
a) Sale of Scrap	0.17	1.15
b) Income from DLRC Project	76.00	58.59
c) Non competing fee	14.74	0.00
TOTAL	92300.68	213952.85
less: Excise Duty	704.52	3986.59
<b>Total Revenue from operations-Net</b>	<b>91596.16</b>	<b>209966.26</b>
Sales accounted on provisional basis/prices for supply of 'various equipments. Variation, if any, will be accounted on the determination of final prices. Impact on profit is not ascertainable. Where firm rates for sales are not established accounting for refund/adjustment of Excise Duty/Sales Tax is on provisional basis. The aggregate provisional sales during the Year is ₹ 2562.00 lacs as against ₹3854.51 lacs of the previous year. The reversal of the provisional sales relating to previous years during the Year is ₹1582.01lacs.	2562.00	3854.51
<b>Construction/ Turnkey Contracts:</b>		
The company for the financial year 2011-12(p.y.2010-11) has recognised revenue on Construction/ Turnkey contracts based on stage of completion as determined with respect to completion of physical proportion of the contract as certified and furnished by Company's Engineers. Consequently,		
i. The contract revenue recognised in the period based on the above	5936.10	151789.96
ii. Aggregate amount of cost incurred upto reporting date *	844494.76	816243.47
iii. Profit (net of loss, if any) recognised upto reporting date	(97700.10)	(89161.46)
iv. Amount of advance received	149622.79	150457.50
v. Amount of retention money, if any	0.00	0.00
vi. Sundry Debtors as at the end of the period pertaining to the contracts	358442.22	417880.84
vii. Contract Work-in-Progress as at 31st March 2012	162.36	0.00
* Includes allocation of Overheads made by Mankapur and Raebareli Plants.		
<b>Sales under broad heads</b>		
1. NPR	5150.76	129.27
2. Electronic Switching Equipments	8813.75	159190.19
3. MLLN	203.71	4.61
4. SIM Card	27.99	610.02
5. Transmission Equipment	1540.13	4525.27
6. Telephone	534.47	841.37
7. STM	4.21	4565.45
8. DWDM	907.13	5699.69
9. SOLAR PANEL	687.28	0.00
10. SWAN	3398.24	0.00
11. APDRP	5161.00	0.00
12. IT PRODUCTS	3728.07	4344.12
13. Others	1700.88	2490.57
TOTAL	31857.62	182400.56
<b>Service Income under broad heads</b>		
1. AMC	10261.89	9864.83
2. SSTP	390.07	0.00
3. NPR	17809.26	1014.67
4. SECC	20838.79	0.00
5. Data Center	1077.65	716.08
6. IT	707.80	3755.74
7. SWAN	638.57	0.00
8. Others	8715.32	16141.23
TOTAL	60439.35	31492.55
<b>Earnings in Foreign Currency</b>		
Export of goods calculated on FOB basis	0.00	0.00
Royalty, Knowhow, Professional and Consultancy fees	0.00	0.00
Interest and Dividend	0.00	0.00
Services	0.00	0.00
Total	0.00	0.00

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>Note No.28</b>		
<b>II- OTHER INCOME</b>		
a) INTEREST INCOME		
i) INTEREST ON INTER CORP ADVANCES	0.00	0.00
ii) INTEREST - OTHERS	175.35	245.01
Total		
b) DIVIDEND FROM NON-TRADING INVESTMENTS	0.00	0.00
c) NET GAIN /LOSS ON SALE OF INVESTMENT	0.00	0.00
<b>d) OTHER NON -OPERATING INCOME(NET OF EXPENSES DIRECTLY ATTRIBUTABLE TO SUCH INCOME):</b>		
i) PROFIT ON SALE OF ASSETS	55.16	19.95
LESS:TRANSFER TO CAPITAL RESERVES	0.00	0.00
TOTAL	55.16	19.95
ii)COMMISSION	0.00	0.00
iii)RENT	1262.96	2131.04
iv) LEASE RENT	0.00	0.00
v) TRANSPORT CHARGES	0.68	10.63
vi) SALE OF SCRAP	33.01	59.12
vii) WATER CHARGES/ELECRICITY CHARGES	103.57	118.50
viii) IT REFUND	0.00	0.00
ix) EXCESS PROVISION WITHDRAWN	99.58	137.42
x) REIMBURSEMENT OF VRS	0.00	0.00
xi) WITHDRAWAL OF LIABILTY NO LONGER REQUIRED	87.04	1338.51
xii) WAIVER OF LIQUDATED DAMAGES	12.52	1932.00
xiii)COMPENSATION FOR SRINAGAR LOSS	707.91	538.51
xiv) WAIVER OF INTEREST CHARGES	0.00	0.00
xiii) MISC. INCOME	272.53	308.63
xiv) TRANSFER FROM GRANT IN AID	0.00	0.00
xv) REVENUE GRANT-IN-AID-VRS	19.85	77.07
xvi) REVENUE GRANT-IN-AID-OTHERS	0.00	0.00
xvii) CAPITAL GRANT-IN-AID	472.38	474.95
TOTAL(i to xvii)	3127.19	7146.33
e) Adjustment to the carrying value of investments(write back)	0.00	0.00
f) Net gain /loss on foreign currency translation and transaction(other than considered as finance cost)	0.00	0.00
<b>G.TOTAL</b>	<b>3302.54</b>	<b>7391.34</b>

**Note No.29**

Consumption of Raw Materials & Production Stores		
Opening Stock	6641.33	9973.82
ADD: Prior Period Adjustment due to Price Revision	0.00	0.00
Purchases/Transfers	15671.47	35164.90
Material for Installation & Maintenance	0.00	0.00
TOTAL	22312.80	45138.72
LESS CLOSING STOCK	6105.27	6641.33
ISSUES TO REVENUE AND OTHERS	708.52	402.41
MAT TRANSFERRED TO OTHER UNITS :	0.00	0.00
TOTAL	6813.79	7043.74
ADD: STORES INDIRECT EXPS RELATING TO RM AND PRODN STORES	(30.67)	(30.13)
<b>CONSUMPTION</b>	<b>15468.34</b>	<b>38064.85</b>

**Rawmaterials consumed under broad heads**

particulars	Amount	Amount
1. Electronic Goods & Components	9773.19	37944.12
2. MNIC	5695.15	120.73
Total	15468.34	38064.85
Value of Imports on CIF basis		

Particulars	Current Year			Previous Year	
	CIF value	Custom Duty	Other Charges	TOTAL	TOTAL
Raw Materials and Production Stores	5580.83	444.76	202.17	6227.76	78106.34
Components and Spare Parts	7.26	1.43	0.39	9.08	424.20
Material in transit	6611.72	262.23	0.30	6874.25	1251.73
Capital Goods	76.60	18.68	2.14	97.42	689.04
TOTAL	12276.41	727.10	205.00	13208.51	80471.31

Value of Imported Raw Materials, Store and Spare parts consumed and Value of Indigenous Materials Consumed and percentage of each to the total consumption.

Particulars	Current Year		Previous Year	
	₹Lakhs	%	₹Lakhs	%
Imported	7307.35	37.01	99521.87	59.77
Indigenous	12434.32	62.99	66997.55	40.23
Total	19741.67	100.00	166519.42	100.00

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>Note No.30</b>		
Purchase of Stock-in-Trade	16040.96	128178.55
<u>Goods purchased under broad heads</u>		
<u>Particulars</u>	<u>Amount</u>	<u>Amount</u>
1. Telephone	159.92	677.22
2. STM	35.49	2696.55
3. DWDM	376.98	0.00
4. SOLAR	629.32	0.00
5. SSTP	0.44	398.33
6. CDMA	(2492.11)	643.84
7. SMPS	228.41	0.00
8. ASCON	264.62	201.73
9. GSM	4806.74	119046.68
10. IT	4326.88	0.00
11. APDRP	4902.95	0.00
10. Others	2801.32	4514.20
TOTAL	16040.96	128178.55
<b>Note No.31</b>		
<u>Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade</u>		
<u>Accretion/(Decretion) to WIP</u>		
<u>WIP - Production :</u>		
Closing Balance	3239.16	3174.65
Less: Opening Balance	3174.65	5144.49
TOTAL	64.51	(1969.84)
Add: Write Off during the Year	0.00	571.07
Less: Prior Period Adjustments due to Price Revision/Grossing up of Provision	0.00	0.00
TOTAL	64.51	(1398.77)
<u>WIP - Installation:</u>		
Closing Balance	0.00	0.00
Less: Opening Balance	0.00	0.00
TOTAL	0.00	0.00
Add: Write Off during the Year	0.00	0.00
Less: Prior Period Adjustments due to Price Revision/Grossing up of Provision	0.00	0.00
TOTAL	0.00	0.00
<u>Accretion/(Decretion) to Manufacturing Components</u>		
Closing Balance	1469.52	1297.29
Less: Opening Balance	1297.29	1848.81
TOTAL	172.23	(551.52)
Add: Write Off during the Year	0.00	0.00
Less: Prior Period Adjustments due to Price Revision/Grossing up of Provision	0.00	0.00
TOTAL	172.23	(551.52)
<u>WIP - Installation:</u>		
Closing Balance	162.36	0.00
Less: Opening Balance	0.00	0.00
TOTAL	162.36	0.00
Add: Write Off during the Year	0.00	0.00
Less: Prior Period Adjustments due to Price Revision/Grossing up of Provision	0.00	0.00
TOTAL	162.36	0.00
<u>Accretion/(Decretion) to Stock-in-Trade</u>		
<u>Stock-in-Trade :</u>		
Closing Balance	1671.66	1624.22
Less: Opening Balance	1624.22	8723.31
Total	47.44	(7099.09)
Add: Write Off during the Year	0.00	374.43
Less: Prior Period Adjustments due to Price Revision/Grossing up of Provision	0.00	0.00
TOTAL	47.44	(6724.66)
<u>Stock of Scrap</u>		
Closing Balance	0.00	0.00
Less: Opening Balance	0.00	0.00
ADD : Prior Period Adjustments	0.00	0.00
TOTAL	0.00	0.00
G.TOTAL	284.18	(8674.95)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011		
<b>Note No.32</b>				
EMPLOYEE BENEFIT EXPENSES:				
i) SALARIES & WAGES :				
Salaries & Wages	29034.62	29822.11		
Less: Other Revenue Accounts	0.00	0.00		
<b>TOTAL</b>	<b>29034.62</b>	<b>29822.11</b>		
Bonus	55.46	16.60		
Incentive	0.31	17.87		
<b>G.TOTAL</b>	<b>29090.39</b>	<b>29856.58</b>		
ii) CO'S CONTRIBUTION TO PF AND OTHER FUNDS:				
Provident Fund & Pension Fund	3258.67	3297.99		
Employees State Insurance	11.48	18.79		
Gratuity Trust Fund	3974.02	2253.58		
Leave Salary- PL	2257.19	1739.94		
Sick Leave	(33.85)	(56.57)		
Deposit Linked Insurance/Group Insurance	35.25	26.67		
<b>TOTAL</b>	<b>9502.76</b>	<b>7280.40</b>		
iii) WORKMEN AND STAFF WELFARE EXPENSES				
Welfare Expenses - Canteen	296.78	292.56		
Welfare Expenses - Education	218.47	219.21		
Medical Expenses	921.42	938.33		
LTC/LLTC	(10.89)	67.47		
Uniforms	1.09	138.62		
Others	105.04	82.19		
<b>TOTAL</b>	<b>1531.91</b>	<b>1738.38</b>		
iv) VOLUNTARY RETIREMENT SCHEME				
VRS Payments	19.85	77.07		
<b>G.TOTAL</b>	<b>40144.91</b>	<b>38952.43</b>		
Compensation to employees of the company opted for Voluntary Retirement during 2011-12 has been charged off to the Profit & Loss account and the like amount has been withdrawn from Grant in Aid received from GOI and has been credited to Profit and Loss account .				
<u>Remuneration paid to Key Management Personnel</u>				
<u>[As required under AS-18]</u>	<u>2011-12</u>	<u>2010-11</u>		
Shri. K.L.Dhingra - CMD - Salary and Perquisites	2417220.00	955009.00		
Shri Rajni Kumar Agarwal - Director (Marketing) - Salary and Perquisites	1097641.00	981699.00		
Shri. Ravi Khandelwal -Director (Finance) -Salary and Perquisites	1729767.00	67651.00		
Shri K.K.Gupta - Director (Production) - Salary and Perquisites	1091274.00	972455.00		
Shri K.K.Khurana - Director (HR) - Salary and Perquisites	0.00	969333.00		
Shri. B.P.Gupta - Director (Finance) -Salary and Perquisites	0.00	1110381.00		
Shri Ravi Agarwal- Director (Production) - Salary and Perquisites	0.00	80228.00		
<u>DISCLOSURE REPORT UNDER AS15[REVISED 2005]</u>				
AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES				
	<u>Gratuity</u>	<u>PL</u>	<u>SL</u>	<u>LLTC</u>
Present value of the obligation	39,786.00	16,153.50	406.46	437.11
Fair value of plan assets	15,274.00	-	-	-
Difference	24,512.00	16,153.50	406.46	437.11
Liability recognized in the balance sheet	24,512.00	16,153.50	406.46	437.11
Expenses recognized in the statement of Profit & Loss	3974.02	2257.19	(33.85)	(10.89)
<b>Note No.33</b>				
<u>FINANCING COSTS</u>				
Cash Credit	7012.84	5354.44		
Public Deposits	0.00	0.00		
Bonds	0.00	0.00		
Term Loan	0.00	0.00		
Others	563.59	1661.47		
ii) Bank charges	292.24	468.82		
iii) Government Guarantee Fee	0.00	0.00		
iv) Expenses on Issue of Bonds/Loans	0.00	0.00		
v) NET GAIN/LOSS FROM FOREIGN CURRENCY TRANSLATIONS & TRANSACTIONS	656.10	(881.33)		
<b>TOTAL</b>	<b>8524.77</b>	<b>6603.40</b>		

In respect of Interest charged in excess of State Bank Advance Rate w.e.f. 01.04.2009, aggregate refund received upto 31.03.2012 is ₹ 241.20 Lakhs from State Bank of Hyderabad, State Bank of Patiala, State Bank of Travancore and Canara Bank. The remaining Banks viz, State Bank of India, State Bank of Bikaner & Jaipur, State Bank of Mysore, Bank of Baroda, Central Bank of India, Punjab National Bank, Development Credit Bank Ltd., Indus Ind Bank Ltd., Axis Bank Ltd., Vijaya Bank and Indian Bank are expected to refund excess interest during 2012-2013.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>Note No.34</b>		
<b>DEPRECIATION AND AMORTIZATION EXPENSES:</b>		
Fixed Assets	3954.69	4728.66
Tools and Gauges	53.50	7.09
<b>TOTAL</b>	<b>4008.19</b>	<b>4735.75</b>
Less: Transfer from Revaluation Reserve	1877.88	2509.04
<b>Net Depreciation</b>	<b>2130.31</b>	<b>2226.71</b>
<b>Note No.35</b>		
<b>OTHER EXPENDITURE:</b>		
DRE Written off	0.00	0.00
VRS Expenditure	0.00	0.00
<b>MANUFACTURING EXPENSES:</b>		
Consumption of Stores and Spares	334.34	324.16
Power and Light	1670.23	2185.06
Water Charges	190.54	179.64
<b>REPAIRS AND MAINTENANCE:</b>		
i)Plant Machinery and Equipment	115.09	190.32
ii)Vehicles	47.35	62.39
iii)Buildings	506.07	480.47
iv)Other Equipments	178.87	249.89
Cost and Expenses on Tools	9.62	25.99
Experimental Work and Training Expenses	26.22	29.92
Expenses on Minor Equipment & Work	0.31	10.89
Royalty	3.20	14.27
Scrap and Salvages	4.41	3.05
Factory Expenses	246.46	168.48
<b>TOT CHARGES:</b>		
i)Technical Assistance	0.00	0.00
ii)Technical Knowhow fee	0.00	0.00
iii)Documentation Charges	0.00	0.00
iv)Training Assistance	0.00	0.00
v) Others	0.00	0.00
Liquidated Damages	518.95	3612.00
Demurage Charges	5.76	30.73
Net gain /loss on foreign currency translation and transaction(other than considered as finance cost)	0.46	0.08
<b>TOTAL MANUFACTURING EXPENSES</b>	<b>3857.88</b>	<b>7567.34</b>
<b>ADMINISTRATION EXPENSES:</b>		
Rent	310.59	326.06
Rates and Taxes	73.82	93.31
Insurance	115.40	104.96
<b>TRAVELLING EXPENSES</b>		
-Inland	448.81	739.88
-Foreign	0.50	0.00
Legal fees	35.23	30.26
Postage, Telegram, Telex Expenses	46.10	59.09
Telephone and Trunk Call Charges	111.55	141.93
<b>REMUNERATION TO AUDITORS:</b>		
-Audit Fees	3.45	3.50
- For Taxation Matters	0.59	0.31
-For Company Law Matters	0.00	0.00
-For Management Services	0.00	0.00
-For Reimbursement of Expenses	1.85	0.23
-For Other Services	0.83	1.74
CISF/ Private Security Expenses	500.66	486.91
Printing, Stationary and Duplicating Charges	77.70	113.38
Transport Expenses	604.17	614.62
News Papers, Magazines & Periodicals	28.58	30.96
Mechanised Accounting Expenses	0.00	0.00
Lease Charges	0.00	0.00
Licence fee/Segment Charges	12.90	4.55
Office Expenses	272.39	398.54
Provision for Obsolescence of RM Stores	38.09	230.97
Obsolete RM & Production Stores Write off	283.66	126.95
Provision for Capital WIP Write off	0.00	0.00
Provision for Debtors/Advance	583.50	267.53
Bad Debts Write off	0.00	0.00
Claims and Expenses Charge off	0.00	0.00
Loss on Sale of Assets	0.00	0.00
Irrecoverable ED	0.00	16.91
Adjustment to the Carrying Amount Investments	0.00	0.00
Net Loss on Sale of Investments	0.00	0.00
<b>TOTAL ADMINISTRATION EXS</b>	<b>3550.37</b>	<b>3792.59</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011	
<b>SELLING EXPENSES</b>			
Selling Agency Commission	5.69	15.92	
Advertisement Expenses	15.44	32.25	
Exhibition and Publicity Expenses	4.40	0.22	
Packing Expenses	49.93	181.94	
Forwarding Expenses	71.78	74.53	
Discount Allowed	0.00	0.00	
Warrenty Expenses	(47.49)	113.97	
Sales Promotion Expenses	0.41	0.95	
Entertainment Expenses	(0.65)	(0.61)	
Cost of Tender Forms	6.14	6.29	
<b>TOTAL SELLING EXPENSES</b>	<b>105.65</b>	<b>425.46</b>	
<b>TOTAL OTHER EXPENSES</b>	<b>7513.90</b>	<b>11785.39</b>	
Interest on Royalty payable to C-DOT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time towards rent payable for the premises taken on lease by C-DOT.			
In case of back to back arrangements, Liquidated damages is accounted on net basis.			
<u>Expenditure in Foreign Currency :</u>			
Royalty	0.00	0.00	
Knowhow	0.00	0.00	
Professional / Consultation Fees	0.00	0.00	
Interest	0.00	0.00	
Others	70.83	71.93	71.93
<b>Note No.36</b>			
TRANSFER TO CAPITAL ACCOUNT	0.00	0.00	
CAPITAL WIP:	0.00	0.00	
OTHER ASSETS	1.88	0.30	
<b>TOTAL</b>	<b>1.88</b>	<b>0.30</b>	
<b>Note No.37</b>			
<u>PRIOR PERIOD ADJUSTMENTS( NET)</u>			
<u>INCOME</u>			
Sales & Services	(127.27)	264.24	
Withdrawal of Liability no Longer Required	0.00	0.00	
Interest	0.00	0.00	
Others	12.93	17.76	
<b>TOTAL</b>	<b>(114.34)</b>	<b>282.00</b>	
<u>EXPENDITURE</u>			
Consumption of Raw material and Production Stores	(61.62)	0.00	
Interest	0.00	0.00	
Depreciation	0.00	0.00	
Others	60.12	(48.90)	
<b>TOTAL</b>	<b>(1.50)</b>	<b>(48.90)</b>	
<b>NET PRIOR PERIOD ADJUSTMENTS</b>	<b>(112.84)</b>	<b>330.90</b>	
<b>Note No.38</b>			
<u>EXCEPTIONAL ITEMS</u>			
VRS Payments	0.00	0.00	
<b>Note No.39</b>			
Extra Ordinary Items	0.00	0.00	



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	Current Year 2011-12	Previous Year 2010-11
<b>NOTE NO. 40</b>		
1 Corporate information: ITI Limited is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is primarily engaged in the business of Manufacture and sale of Telecommunication equipments.		
2 Presentation and disclosure of financial statements: The revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements for the year ended 31.03.2012. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.		
3 Insurance and Customs Duty Claims are accounted as and when the claims are accepted by respective authorities.		
4 Execution and registration of sale deed for assets sold to DRDO for ₹ 2600 lacs during 2003-2004 is under process .		
5 As per the Presidential directives and Tripartite agreement on wage settlement with employees, wage revision arrears for the period from 01.01.1997 to 31.03.2000 is to be paid by the Company in a phased manner on the improvement of profitability position and also generation and availability of funds. Since the company has already been declared by BIFR as a sick company and the condition for payment of wage revision arrears as per directives/agreement aforesaid are not prevalent, company has not provided any liability for payment of arrears of wage revision for this period amounting to ₹ 16500 lakhs. This amount has been included in the Draft Rehabilitation Scheme(DRS) submitted to BIFR.		
6 Balances in the accounts of creditors, debtors, advances from customers, Claims recoverable, loans and advances, materials with fabricators , sub-contractors/others,material in transit, deposits, Loans, Creditors, and other payables are subject to confirmation.		
7 The company is engaged in the business of manufacture and sale of telecommunication equipments and there are no separate reportable segments as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.		
8 As per Accounting Standard 18 on Related Party Disclosures the following transactions are entered into with the Joint Ventures of the company viz. India Satcom Ltd and ITI Communications Pte. Ltd, Singapore.		
	2011-12	2010-11
	ISL	ITI-C
	ISL	ITI-C
Purchase of goods\Services	0.00	0.00
Sale of goods\Services	0.00	0.00
Amount Outstanding:		
- Due from the related party	0.00	0.00
- Due to the related party	0.00	0.00
Provision for doubtful debts against dues from related party.	0.00	0.00
Written Off during the Year	0.00	0.00
9 Earnings Per Share before Extraordinary items Calculation:		
Profit after tax	(36979.91)	(35774.86)
(-) Preference Dividend	2275.00	2275.00
Dividend tax	386.64	386.64
Profit available to equity shareholders	(39641.55)	(38436.50)
No. of Shares at beginning of the year	288000000	288000000
No. of Shares	288000000	288000000
EPS: Basic and Diluted(in ₹ )	(13.76)	(13.35)
10 Since the company has no virtual certainty of sufficient future taxable income, no deferred tax asset is being recognised on unabsorbed depreciation and carried forward losses of the company under Accounting Standard (AS)-22 "Accounting for Taxes on Income"		

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	Current Year 2011-12	Previous Year 2010-11		
<b>11 JOINT VENTURES:</b>				
The financial reporting of interests in Joint Ventures as per AS-27:				
a. India Satcom Limited No.2, Kadugodi Industrial Area, Whitefield, Bangalore - 560 067 Company's stake in equity participation-49% Place of incorporation of JV-India				
b. ITI Communications Pte Limited No.5, Shenton way, #27-01, UIC Building, Singapore-068808 Company's stake in equity participation-49% Place of incorporation of JV-Singapore				
c. Aggregate amount of the assets	-	13403.64		
Aggregate amount of the liabilities	-	13403.64		
Aggregate amount of the income	-	13.59		
Aggregate amount of the expenses (The above figures does not include ITI-C, Singapore since it is in the process of liquidation.)	-	286.54		
 (Bank account of ISL in SBI-IFB became NPA during September 2009 and referred to Stressed Asset Management Branch of SBI. Under the securitization and Reconstruction of Financial Assets and enforcement of Security Interest Act 2002 (SARFAESI), SBI has taken possession of the property of ISL factory at Bangalore in May 2011. The accounts of ISL for the year 2011-12 are yet to be finalised).				
<b>12</b> Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.16	0.38		
 Commitments in respect of other contracts not provided for-	0.00	0.00		
<b>13</b> Contingent Liability in respect of				
- Outstanding letters of credit & guarantees	25581.38	26511.60		
- Sales Tax demand /Service Tax/Income Tax	1599.15	3377.16		
- Non receipt of C/D forms	13876.33	7239.87		
- Disputed Excise Duty Demand/CENVAT Disallowance	2437.15	4171.70		
- ESI demand	0.00	93.75		
- Demand of interest & penalty by KVAT	445.43	445.43		
- Claims against the Company not acknowledged as debts	7386.99	7028.55		
<b>14</b> Other Income being compensation relating to Srinagar unit losses for the years 2011-12 awaiting reimbursement from Ministry of Communications.	707.91	538.51		
	<u>CURRENT YEAR</u>	<u>PREVIOUS YEAR</u>		
<b>15</b> Value of Imported Raw Materials, Store and Spare parts consumed and Value of Indigenous Materials Consumed and percentage of each to the total consumption	%	%		
Imported	7307.35	37.01	99521.87	59.77
Indigenous	<u>12434.32</u>	<u>62.99</u>	<u>66997.55</u>	<u>40.23</u>
Total	<u>19741.67</u>	<u>100.00</u>	<u>166519.42</u>	<u>100.00</u>
<b>16</b> Accretion/Decretion to stock-in-trade is arrived after considering due adjustment to difference in excise duty element in respect of opening and closing stock-in-trade.				
<b>17</b> Salaries, Wages & Bonus includes ₹ 42.10 Lakhs as Salaries of Srinagar employees presently posted at different units of ITI due to disturbed Law & Order situation in Kashmir Vally (P.Y. ₹ 37.51 Lakhs)				
<b>18</b> 12.15 acres of land has been agreed to be sold to BMTC not revalued. Out of which 8.22 acres already in possession of BMTC. Sale deed registration is pending as Govt. approval is awaited for which an advance of ₹ 285 lacs has been received.				

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

₹ in Lakhs

Particulars	Current Year 2011-12	Previous Year 2010-11
19 National Highway Authority has acquired 1.375 acres of land for road widening in Electronics City for a compensation of ₹ 146lacs(yet to be received) during 2007-08. The land is in possession of NHAI pending transfer of title. However value of land continues in the books of Accounts. NHAI has also notified for acquisition of about 0.5495 acres of land & some building at Palakkad for which compensation is yet to be decided.		
20 KPTCL is in possession of 5 acres of land and not revalued.		
21 <u>Value of Imports on CIF basis</u>		
Raw Materials and Production Stores	6227.76	78106.34
Components and Spare Parts	9.08	424.20
Material in transit	6874.25	1251.73
Capital Goods	97.42	689.04
TOTAL	13208.51	80471.31
22 Rent from C-Dot aggregating to ₹ 5847.90 lakhs has not been received for the last 6 years. The Company has deferred recognition of revenue aggregating to ₹ 992.70 Lakhs for the current financial year due to uncertainty in receiving the amount which is in conformity with AS-9.		
23 Performance Indicators - Ratios		
- Sales to Total Assets	Times	0.13
Sales incl. ED / Total Assets (Net Fixed Assets + Investments + Gross Current Assets)		0.27
- Operating Profit to Capital employed	[%]	-ve
Profit before tax / (Share holders' funds + Loan funds)		-ve
- Return on Net Worth	[%]	-ve
(Profit after tax / Share holders' funds)		-ve
- Profit to Sales	[%]	-ve
(Profit before tax to sales incl. ED)		-ve
24 Previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's classification.		
25 Figures in brackets indicated in the Accounts reflect negative balances.		

As per our report of even date

For BADARI MADHUSUDHAN AND SRINIVASAN

Chartered Accountants

sd/-

N. SRINIVASAN

Partner

M. NO. 027887

Firm Reg No.: 005389S

Place: Bangalore

Date : 11/08/2012

sd/-

K.T.MAYURANATHAN

Company Secretary

sd/-

K.K.GUPTA

Director-Production

sd/-

K. L. DHINGRA

Chairman and Managing Director

## ENCLOSURE

A list of micro, small and medium enterprises to whom the Company owe any sum together with interests to the extent identified.

### SUPPLIERS NAME

- 1 CRYSTALONICS DISPLAYS (P) LTD
- 2 FASTENERS & INDUSTRIAL COMPONENT
- 3 LATHA PLASTRONICS
- 4 M R ENGINEERS
- 5 PROTECTRON ELECTROMECH (P) LTD
- 6 S K ELECTRONICS INDUSTRIES
- 7 SRI KUMAR PACKING PRODUCTS
- 8 SRI SHAKTI INDUSTRIES
- 9 UNIVERSAL AGENCIES
- 10 WOODY INDUSTRIES
- 11 KARNATAKA DISABLED & ENGG
- 12 KARNATAKA ENGINEERING AND INDU

## CAPITAL EXPENDITURE ON AMENITIES

PARTICULARS	GROSS BLOCK AT COST				
	AS AT 31-03-2011	ADDITIONS DURING THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	AS AT 31-03-2012
	1	2	3	4	5=1+2-3-4
TOWNSHIP	1097.12	0.03	0.00	0.00	1097.15
TRANSPORT	5.75	0.24	0.24	0.00	5.75
MEDICAL	7.69	0.00	0.00	0.00	7.69
CANTEEN	6.45	0.00	0.00	0.00	6.45
SCHOOL CLUBS, AUDITORIUM SOCIAL AND CULTURAL ACTIVITIES	13.40	0.01	0.00	0.00	13.41
VEGETABLE FARMS, PARKS ETC.	0.05	0.00	0.00	0.00	0.05
<b>TOTAL</b>	<b>1130.46</b>	<b>0.28</b>	<b>0.24</b>	<b>0.00</b>	<b>1130.50</b>

## CAPITAL EXPENDITURE ON AMENITIES

2011-12 ₹ in Crores						
DEPRECIATION				NET BLOCK		
UPTO 31-03-2011	FOR THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	UPTO 31-03-2012	AS AT 31-03-2012	AS AT 31-03-2011
6	7	8	9	10=6+7-8-9	11=5-10	12
98.29	3.05	0.00	0.00	101.34	995.81	998.83
5.74	0.03	0.23	0.00	5.54	0.21	0.01
3.11	0.07	0.00	0.00	3.18	4.51	4.58
2.26	0.16	0.00	0.00	2.42	4.03	4.19
4.86	0.17	0.00	0.00	5.03	8.38	8.54
0.03	0.00	0.00	0.00	0.03	0.02	0.02
114.29	3.48	0.23	0.00	117.54	1012.96	1016.17

## REVENUE EXPENDITURE ON AMENITIES

2011-12  
₹ in Crores

PARTICULARS	TOWNSHIP	TRANSPORT	MEDICAL	CANTEEN	SCHOOLS, CLUBS, AUDITORIUM, SOCIAL AND CULTURAL ACTIVITIES	VEGETABLES FARMS, PARKS ETC.	2011-12	2010-11
Pay and Allowances	3.02	3.19	6.20	3.54	0.24	0.62	16.81	17.27
Uniforms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.64
Grants	0.00	0.00	0.00	0.00	2.46	0.00	2.46	2.32
Supplies and Other Services	0.04	3.03	9.29	2.60	0.00	0.05	15.01	15.84
Power, light & water	8.83	0.07	0.33	0.23	0.02	0.01	9.49	10.78
Transport Charges	0.01	2.63	0.00	0.00	0.00	0.00	2.64	2.89
Rent, Rates, Taxes and Insurance	1.83	0.42	0.00	0.01	0.00	0.00	2.26	2.45
Maintenance and repairs	0.96	0.35	0.05	0.01	0.01	0.44	1.82	1.96
Depreciation - Buildings	0.30	0.00	0.00	0.05	0.05	0.00	0.40	0.45
Depreciation - Plant, Machinery, Equipment & Vehicles	0.07	0.03	0.02	0.01	0.02	0.00	0.15	0.14
General Overheads	0.02	0.07	0.06	0.05	0.00	0.00	0.20	0.23
	<b>15.08</b>	<b>9.79</b>	<b>15.95</b>	<b>6.50</b>	<b>2.80</b>	<b>1.12</b>	<b>51.24</b>	<b>54.97</b>
<b>LESS :</b>								
Recoveries/adjustments								
Rent	7.50	0.00	0.00	0.00	0.00	0.00	7.50	8.58
Power, Light & Water	1.01	0.00	0.00	0.00	0.00	0.00	1.01	1.15
Transport Charges	0.06	0.22	0.00	0.00	0.00	0.00	0.28	0.44
Capitation & other Recoveries	0.00	0.00	0.76	0.00	0.00	0.00	0.76	1.07
Sales proceeds	0.00	0.00	0.00	0.31	0.05	0.00	0.36	0.66
Indirect expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Allocated to Township, Medical & office use	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>8.57</b>	<b>0.22</b>	<b>0.76</b>	<b>0.31</b>	<b>0.05</b>	<b>0.00</b>	<b>9.91</b>	<b>11.90</b>
Net Expenditure	6.51	9.57	15.19	6.19	2.75	1.12	41.33	43.07
Interest on Capital outlay notional	1.31	0.40	0.35	0.29	0.33	0.01	2.69	2.76
<b>TOTAL EXPENDITURE</b>	<b>7.82</b>	<b>9.97</b>	<b>15.54</b>	<b>6.48</b>	<b>3.08</b>	<b>1.13</b>	<b>44.02</b>	<b>45.83</b>
Previous year	8.96	10.21	15.91	6.75	2.97	1.03	45.83	41.96

## CASH FLOW STATEMENT FOR THE YEAR 2011-12

	₹ in Lakhs	
	FOR THE YEAR ENDED 31st MARCH 2012	FOR THE YEAR ENDED 31st MARCH 2011
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT BEFORE TAX	(36979.91)	(35774.86)
ADJUSTMENT FOR:		
DEPRECIATION	2130.31	2226.71
FINANCING CHARGES	8524.77	6603.40
PROFIT ON SALE OF INVESTMENTS	0.00	0.00
INTEREST/DIVIDEND RECEIVED	(175.35)	(245.01)
LOSS ON SALE OF ASSET	0.00	0.00
PROFIT ON SALE OF ASSET	(55.16)	(19.95)
TRANSFER FROM GRANT-IN-AID	(492.23)	(552.02)
NON-CASH EXPENDITURE	909.66	628.50
<b>OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(26137.91)</b>	<b>(27133.23)</b>
ADJUSTMENT FOR:		
TRADE AND OTHER RECEIVABLES	70940.15	(4308.87)
INVENTORIES	147.15	16265.53
TRADE PAYABLES	(57697.49)	(22268.18)
DIRECT TAXES PAID	(51.41)	11.75
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(12799.51)</b>	<b>(37433.00)</b>
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>	<b>(12799.51)</b>	<b>(37433.00)</b>
EXTRAORDINARY ITEMS	0.00	0.00
<b>NET CASH FROM OPERATING ACTIVITIES [A]</b>	<b>(12799.51)</b>	<b>(37433.00)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
PURCHASE OF FIXED ASSETS INCLUDING CAPITAL WORK-IN-PROGRESS	(355.62)	(866.25)
SALE OF FIXED ASSETS	55.16	19.95
INVESTMENTS	0.00	0.00
INTEREST RECEIVED	175.35	245.01
DIVIDEND RECEIVED	0.00	0.00
<b>NET CASH USED IN INVESTING ACTIVITIES [B]</b>	<b>(125.11)</b>	<b>(601.30)</b>



## CASH FLOW STATEMENT FOR THE YEAR 2011-12 (Contd...)

	₹ in Lakhs	
	FOR THE YEAR ENDED 31st MARCH 2012	FOR THE YEAR ENDED 31st MARCH 2011
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM LONG TERM BORROWINGS	14195.52	6282.94
GRANT-IN-AID RECEIVED	10.49	18000.00
FINANCING EXPENSES	(8524.77)	(6603.40)
<b>NET CASH USED IN FINANCING ACTIVITIES [C]</b>	<b>5681.24</b>	<b>17679.54</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS [A+B+C]</b>	<b>(7243.38)</b>	<b>(20354.76)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 01-04-2011 [OPENING BALANCE]</b>	<b>9369.24</b>	<b>29724.00</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31-03-2012 [CLOSING BALANCE]</b>	<b>2125.86</b>	<b>9369.24</b>

NOTE: PREVIOUS YEAR FIGURES HAVE BEEN REGROUPED WHEREVER NECESSARY TO CONFORM TO THIS YEAR'S CLASSIFICATIONS.

sd/-  
**K.T.MAYURANATHAN**  
Company Secretary

sd/-  
**K.K.GUPTA**  
Director-Production

sd/-  
**K. L. DHINGRA**  
Chairman and Managing Director

As per our report of even date  
For **BADARI MADHUSUDHAN and SRINIVASAN**  
Chartered Accountants

Place: Bangalore  
Date: 11/08/2012

sd/-  
**N. SRINIVASAN**  
Partner  
M. NO. 027887  
Firm Reg No.: 005389S

## AUDITOR'S REPORT

### To the members of ITI limited

1. We have audited the attached Balance sheet of ITI Limited, as at 31<sup>st</sup> March 2012 and also the Profit & Loss Account and the Cash flow statements for the year ended on that date annexed thereto which incorporates all the Units of ITI Limited audited by Unit Statutory Auditors in accordance with the allotment made by the Comptroller & Auditor General of India, New Delhi. 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. Our opinion on the consolidated financial statements of the Company is based on our audit of accounts of the Corporate Office, Bangalore plant, NS unit-Bangalore, ROs at Bangalore, Chennai & Mumbai and financial statements of other units which have been audited by the branch auditors appointed by C & AG and the financial statements of ROs at Delhi, Lucknow, Kolkata, Bhubaneshwar, Hyderabad, NS Units at Delhi and Kolkata as certified by the Management.
2. We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 (as amended) issued by the Central Government of India in terms of sub section (4A) of Section 227 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. We invite attention of the members to the following notes on accounts:
  - (i) Inventories, Manufactured items and Stock in Trade are valued at the lower of cost and net realizable value as stated in Accounting Policy No.3.0. However, stocks aggregating to Rs.10.13 crores have been carried at cost due to difficulty in ascertaining the net realizable value vide note no. 22;
  - (ii) Sales are recognized on provisional basis where
    - (iii) Disputed property tax of Rs.7.34 crores payable to BBMP is pending before the High Court of Karnataka for the period 2008-09 to 2011-12 which is included in Contingent liability vide note no.40.13;
    - (iv) 12.15 acres of land (not revalued) has been agreed to be sold to BMTC and advance of Rs.2.85 crores has been received, pending sale registration of land, 8.22 acres is handed over to BMTC but registration is pending for approval of the Ministry vide note no.40.18;
    - (v) National Highway Authority of India has acquired 1.375 acres of land for road widening in Electronics City Bangalore for compensation of Rs.1.46 crores (yet to be received) during 2007-08, the land is in possession of NHAI pending transfer of title but value of land continues in the books of accounts vide note no.40.19;
    - (vi) NHAI has notified for acquisition of land of 0.5495 acres & building at Palakkad for which compensation is yet to be decided vide note no.40.19;
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) 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;
  - (iii) the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 *except for improvement in Project Accounting System under AS-7*, subject to:
    - (a) *non reconciliation of CENVAT credit aggregating to Rs 4.53 crores;*
    - (b) *non provision for interest on royalty payable to C-DOT vide note no.35 not quantifiable;*

**AUDITOR'S REPORT (Contd.)**

- (c) *non confirmation of balances in respect of creditors, debtors, advances from customers, claims recoverable, loans and advances, materials with fabricators, sub-contractors/others, material in transit, deposits, loans, sales tax, VAT, excise duty, Cenvat and service tax;*
- (d) *the Company has not provided for a sum of Rs.26.85 crores being penalty levied for non payment of Guarantee fees which has resulted in understatement of loss and current liabilities;*
- (e) *interest and penalty leviable for non-remittance of statutory dues, on sales recognized on provisional basis, delayed/short remittance of other statutory dues and non-deduction of TDS as per the provisions of Income Tax Act 1961 is not ascertainable;*

the said accounts 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:

- (a) in the case of the Balance Sheet of the state of affairs of the Company as at March 31st 2012;
- (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date;
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
6. Provisions of Section 274(1)(g) of the Companies Act, 1956 is not applicable to a Government Company. Hence, reporting on any Director being disqualified to be appointed as a Director under Section 274(1)(g) of the Companies Act, 1956 does not arise.

For **BADARI, MADHUSUDHAN & SRINIVASAN**  
CHARTERED ACCOUNTANTS

sd/-

**(N.SRINIVASAN)**  
PARTNER

Membership No. 027887  
FRN: 005389S

Place: Bangalore  
Date: 11.08.2012

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our report of even date to the members of ITI Limited on the financial statements for the year ended 31st March, 2012)

1. (a) Company has maintained proper records showing particulars including quantitative details and depreciation over the life of the asset, *but however needs to be updated with details of location of the asset and impairment loss, if any & details of revaluation.*
  - (b) According to information and explanations given to us, fixed assets have been physically verified by the management only in *Naini, Mankapur & Srinagar units.*
  - (c) According to information and explanations given to us, Company has not disposed off substantial part of the fixed assets during the year so as to affect its going concern status.
2. (a) According to information and explanations given to us, the inventories (excluding the stocks with third parties) have been physically verified by the management at reasonable intervals.
  - (b) According to information and explanations given to us, the procedure for physical verification of inventory *followed by the management needs to be strengthened in order to be reasonable and adequate in relation to the size of the company and the nature of its business.*
  - (c) According to information and explanations given to us, the company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventory.
3. (a) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured/unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act. Accordingly, Clauses (iii) (b) to (iii) (g) paragraph 4 of the of the Companies (Auditor's Report) Order, 2003(as amended) are not applicable.
4. In our opinion and according to the information and explanations given to us, there are internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods and services *but however there is a scope for improvement.* Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
5. According to information and explanations given to us, there are no transactions entered in pursuance of Section 301 of the Companies Act, 1956.
6. As explained to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and Rules framed thereunder.
7. Company has its own Internal Audit department; however, in our opinion the *internal audit needs to be strengthened in terms of personnel, coverage, scope of the work and regular reporting in order to be commensurate with size and nature of its business.*
8. As explained to us, maintenance of Cost Records has been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
9. (a) Company has been generally regular in depositing undisputed statutory dues with the appropriate authorities *except for statutory dues on sales set on provisional basis, the PF dues of Rae Bareli and Naini unit.*

According to the information and explanations given to us, following undisputed statutory dues are in arrears for more than 6 months and remain unremitted on 31.03.2012.

## ANNEXURE TO THE AUDITORS' REPORT (Contd.)

Statutory Dues	Amount (Rs in lakhs)
Provident Fund	4141
Sales Tax, Excise Duty and Entry Tax	Not ascertained as sales recognized on provisional basis

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of sales tax, excise duty and service tax as at March 31, 2012 aggregating to Rs. 5524.30 lakhs which have not been deposited on account of a dispute pending are as under:

Sl. No	Particulars	Financial Year	Forum	Amount (Rs in lakhs)
1	ED demanded on R&D prototype modules for field trial is correct or not?	2003 - 2004	Commissioner of Central Excise	329
2	Nil rate of duty availed on software disputed by CE dept.	2001 - 2002 2002 - 2003	Commissioner of Central Excise	560
3	Dispatches of Software (CNMS & DCME)	2007 - 2008	Commissioner Appeals	7.39
4	CENVAT credit availed on import of IFWT and Power Supply Units, denied by the CE dept	2007	Commissioner of Central Excise	376.14
5	110/115% demanded on Transfer of Purchased Items to Sister Units	2007	Commissioner of Central Excise	108.28
6	ED demanded on Insurance, Freight and towards Credit notes.	2000 - 2001	Commissioner of Central Excise	71.55
7	CENVAT credit availed on Scrap and Written off cases was disallowed.	2000 - 2001	Commissioner of Central Excise	16.75
8	NIL rate of duty availed on Software disputed by CE dept	2003 - 2004 2004 - 2005	Commissioner of Central Excise	637.00
9	Service Tax	2004 - 2008	Service Tax Appellate Tribunal Chennai	83.23
10	Sales Tax	2002 - 2003	Kolkata High court	8.19
11	Sales Tax	2006 - 2007	DC(Appeals) Ernakulam	97.70
12	Excise Duty	2004 - 2005	CESTAT	91.65
13	Excise Duty	2001 - 2002	Commissioner (Appeals) Kochi	68.07
14	Excise Duty	2002 - 2003	Commissioner (Appeals) Kochi	5.15
15	Service Tax	2010 - 2011	Showcause notice by CCE Calicut	109.44

## ANNEXURE TO THE AUDITORS' REPORT (Contd.)

16	Central Excise -Provision for obsolescence	2011 - 2012	Showcause notice by CCE Calicut	52.28
17	Service Tax	2011 - 2012	Showcause notice by DCCE Calicut	4.44
18	Sales Tax	2000 - 2004	Trade Tax Tribunal Lucknow	268.36
19	Sales Tax	1998 - 1999 2000 - 2008	Additional Commissioner Appeal, Lucknow	466.27
20	Sales Tax	2000 - 2001	Deputy Commissioner, Rae Bareli	0.93
21	Sales Tax	1986 - 1989	UP Government	264.89
22	Sales Tax	1989 - 1996	Committee Formed by UP Govt as directed by High Court	15.32
23	Sales Tax	1987 - 1989 1996 - 1998 2000 - 2002	Lucknow Bench of Allahabad High Court	158.12
24	Sales Tax	1987 - 1989 1994 - 1995 2006 - 2007 2008 - 2010	Additional Court(Appeals) Sales Tax, Gonda	160.06
25	Demand of Additional Tax against Form - C	2005 - 2006	Deputy Commissioner Commercial Tax, Allahabad	1013.98
26	Demand of Additional Tax against Form - C	2006 - 2007	Deputy Commissioner Commercial Tax, Allahabad	464.81
27	Demand of Additional Tax against Form - C c/f	2007 - 2008	Joint Commissioner Appeals Commercial Tax, Allahabad	35.26
28	Interest on TDS	2004 - 2008	Income Tax Appellate Tribunal	50.04
		<b>Grand Total</b>		<b>5524.30</b>

**ANNEXURE TO THE AUDITORS' REPORT (Contd.)**

10. The net worth of the Company (without reckoning the revaluation reserve) as on 31.03.2012 has completely eroded. Further Company has incurred cash losses of Rs.348.5 crores and Rs.335.48 crores for the financial year 2011-12 and 2010-11 respectively.
11. Based on our examination of books of account and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or Banks.
12. According to the information and explanation given to us, the Company has not granted any loan & advance on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a Chit Fund or a Nidhi/mutual benefit fund/society. Accordingly, Clause(xiii) (a) to (d) of the Companies(Auditor's Report) Order, 2003(as amended) are not applicable.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause (xiv) of the Companies (Auditor's Report) Order, 2003(as amended) are not applicable.
15. According to the information and explanation given to us, the Company has not given guarantees for loan taken by others from Banks or financial institutions.
16. According to information and explanations given to us, during the year, Company has not availed any term loan. Hence, commenting on application of loan for the purpose other than for which the loan was sanctioned does not arise.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, no funds raised on short term basis have been used for long term investment.
18. According to information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. According to information and explanations given to us, the Company has not raised money by public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, to the best of our knowledge and belief, no fraud on or by the Company has been noticed or reported during the year under audit.

For **BADARI, MADHUSUDHAN & SRINIVASAN**  
CHARTERED ACCOUNTANTS

sd/-

**(N. SRINIVASAN)**  
PARTNER

Membership No. 027887  
FRN 005389S

Place: Bangalore  
Date: 11.08.2012

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ITI LIMITED FOR THE YEAR ENDED 31 MARCH 2012

The preparation of financial statements of ITI Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 11 August 2012.

I on the behalf of the comptroller and Auditor General of India have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of ITI Limited, for the year ended 31 March 2012. The supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of the some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplementary to Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

For and on the behalf of the  
Comptroller and Auditor General of India

sd/-

**(Revathi Bedi)**

Director General of Audit (P&T)

Place: Delhi

Date : 14<sup>th</sup> September 2012







ITI LIMITED  
REGISTERED & CORPORATE OFFICE  
ITI BHAVAN, DOORVANINAGAR, BANGALORE-560 016.

I here by record my presence at the 62<sup>nd</sup> Annual General Meeting held on Friday, the 28<sup>th</sup> September, 2012 at 11.30 a.m. at BANGALORE TAMIL SANGAM, No.59, Annaswamy Mudaliar Road, Bangalore - 560 016.

Name :  
Folio No. /Client ID No. :  
No. of Shares :  
Address :

Member's / Proxy's Signature

.....CUT HERE.....



PROXY FORM

ITI LIMITED  
REGISTERED & CORPORATE OFFICE  
ITI BHAVAN, DOORVANINAGAR, BANGALORE-560 016.

1. We.....of.....being a Member/Members of ITI Ltd., hereby appoint .....of..... or failing him.....of.....or failing him .....of.....as my/ our proxy to vote for me /us and on my /our behalf at the 62<sup>nd</sup> Annual General Meeting of the Company to be held on Friday, the 28<sup>th</sup> September 2012 at 11.30 a.m. and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

For office use only

Proxy No. :  
Reg. Folio No./ :  
Client ID No. :  
No. of Shares :

Affix  
1 Rupee  
Revenue  
Stamp

Notes:

1. The form should be signed across the stamp as per specimen signature registered with the company.
2. The Proxy form must be deposited at the Registered office of the Company not less than 48 hours before the time fixed for holding the Meeting.
3. A proxy need not be a Member.





Mr. Kapil Sibal, Union Minister of Communications & IT and HRD, inaugurated "New Products Lab" at Bangalore Plant on Feb. 6, 2012.



Mr. Kapil Sibal, Union Minister of Communications & IT and HRD and Mr. R. Chandrashekhar, Secretary DoT are keenly watching ITI's presentation at ITI Corporate Office.



Mr. O.P. Rawat (IAS), Secretary, Department of Public Enterprises (DPE) is discussing several issues related to ITI's business with Mr. K.L. Dhingra, Chairman & Managing Director, Mr. R. K. Agarwal, Director - Marketing Mr. K K Gupta, Director- Production and Mr. Ravi Khandelwal Director-Finance at ITI Corporate Office.



Mr. Milind Deora, the Union Minister of State for Communication and Information Technology, visited ITI on October 29, 2011 and discussed issues related to ITI's financial performance, manpower, Research & Development, its diversification and revival strategies.

Book-Post

To:

If undelivered please return to:



# ITI LIMITED

*Total Solutions for Global Communications*

Registered & Corporate Office: ITI Bhavan, Doorvaninagar, Bangalore-560 016, Karnataka, India.  
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