

“हिंदी केवल एक भाषा नहीं बल्कि हमारी राष्ट्रीय पहचान है।”



**आईटीआई लिमिटेड**

पंजीकृत एवं निगमित कार्यालय  
आईटीआई भवन, दूरवाणीनगर,  
बेंगलूरु - 560 016 भारत  
फोन : +91 (80) 2561 4466  
फैक्स : +91 (80) 2561 7525  
वेबसाइट : www.ititd-india.com  
सी आई एन : L32202KA1950GoI000640

**ITI LIMITED**

Registered & Corporate Office  
ITI Bhavan, Dooravaninagar,  
Bengaluru - 560 016, India  
Phone : +91 (80) 2561 4466  
Fax : +91 (80) 2561 7525  
Website : www.ititd-india.com  
CIN : L32202KA1950GoI000640

Ref:K/NSE-BSE/1/2016  
DT: 30.05.2016

The Manager  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, 5<sup>th</sup> Floor  
Plot No.C/1, 'G' Block  
Bandra-Kurla Complex, Bandra (E)  
MUMBAI - 400 051

The Secretary  
**Bombay Stock Exchange Limited**  
Phiroze Jeejeebhoy Towers  
Dalal Street  
MUMBAI-400 001.

Dear Sir,

Sub: AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016

We are enclosing herewith the following:

1. Audited Financial Results for the quarter and year ended 31<sup>st</sup> March 2016 of the Company.
2. Auditor's Report
3. Statement of Assets and Liabilities for half-year ended 31<sup>st</sup> March 2016
4. Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along with Annual Audited Financial Results

Please note that the same has been reviewed by the audit committee and approved by the Board of Directors of the Company at their Meeting held on 30<sup>th</sup> May 2016 between 05.00 p.m. and 11.15 p.m.

Thanking you,

Yours faithfully  
For ITI LIMITED

(S. Shanmuga Priya)  
COMPANY SECRETARY



**IT I LIMITED**  
 Reg. & Corporate Office,  
 ITI Bhavan, Doorvaninagar, Bangalore-560016  
 Website: www.itilt-d-india.com  
 Email Address: "cosecy\_crp@itilt-d.co.in"  
 CIN No: L32202KA1950GOI00640

**Statement of Standalone Audited Financial Results for the Year Ended 31st March 2016**

Part I

₹ in Lakhs except Per share data

Particulars	Quarter Ended			Year Ended	Year Ended
	31/03/2016	31/12/2015	31/03/2015	31/03/2016	31/03/2015
	Unaudited	Unaudited	Unaudited	Audited	Audited
<b>1. Income from Operations</b>					
a) Net Sales/Income from Operations (Net of excise duty & Service Tax)	47,528	25,872	19,199	118,934	57,318
(b) Other Operating Income	56	28	83	111	115
<b>Total income from Operations (net)</b>	<b>47,584</b>	<b>25,900</b>	<b>19,282</b>	<b>119,045</b>	<b>57,433</b>
<b>2. Expenses</b>					
(a) Cost of Materials consumed & Services	18,168	13,873	4,245	35,939	25,691
(b) Purchase of stock-in-trade	22,908	7,136	8,616	62,825	14,206
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(606)	37	(267)	44	206
(d) Employee benefits expense	8,335	7,619	6,178	31,513	32,119
(e) Depreciation and amortisation expense	153	379	248	1,290	1,532
(f) Other expenses	1,299	1,840	1,790	5,961	6,246
<b>Total Expenses</b>	<b>50,257</b>	<b>30,884</b>	<b>20,810</b>	<b>137,572</b>	<b>80,000</b>
<b>3. Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)</b>	<b>(2,673)</b>	<b>(4,984)</b>	<b>(1,528)</b>	<b>(18,527)</b>	<b>(22,567)</b>
4. Other Income	30,630	9,620	6,137	48,447	8,492
<b>5. Profit / (Loss) from ordinary activities before finance costs and exceptional items (3 + 4)</b>	<b>27,957</b>	<b>4,636</b>	<b>4,609</b>	<b>29,920</b>	<b>(14,075)</b>
6. Finance Costs	3,899	3,925	4,466	15,715	15,725
<b>7. Profit / (Loss) from ordinary activities after finance costs but before exceptional items and Prior period Items (5 - 6)</b>	<b>24,058</b>	<b>711</b>	<b>143</b>	<b>14,205</b>	<b>(29,800)</b>
8. Prior Period Items	(336)		87	(336)	87
<b>9. Profit / (Loss) from ordinary activities after finance costs but before exceptional items (7 + 8)</b>	<b>23,722</b>	<b>711</b>	<b>230</b>	<b>13,869</b>	<b>(29,713)</b>
10. Exceptional Items	-	-	-	-	-
a. Income	-	-	-	-	16,500
b. Expenses	-	-	-	-	(16,500)
<b>11. Profit / (Loss) from ordinary activities before tax (9 + 10)</b>	<b>23,722</b>	<b>711</b>	<b>230</b>	<b>13,869</b>	<b>(29,713)</b>
12. Tax expense	-	-	-	-	-
<b>13. Net Profit / (Loss) from ordinary activities after tax (11 - 12)</b>	<b>23,722</b>	<b>711</b>	<b>230</b>	<b>13,869</b>	<b>(29,713)</b>
14. Extraordinary items (net of tax expense)	-	-	-	11,250	-
<b>15. Net Profit / (Loss) for the period (13 + 14)</b>	<b>23,722</b>	<b>711</b>	<b>230</b>	<b>25,119</b>	<b>(29,713)</b>
16. Paid-up equity share capital	28,800	28,800	28,800	28,800	28,800
17. Reserve excluding Revaluation Reserves as on the Balance Sheet date	-	-	-	(215,718)	(242,785)
<b>18.i Earnings Per Share (before extraordinary items and prior period Items) (of ₹ 10/- each):</b>					
(a) Basic	8.11	0.01	(0.19)	3.98	(11.29)
(b) Diluted	8.11	0.01	(0.19)	3.98	(11.29)
<b>19.ii Earnings Per Share (after extraordinary items and prior period Items) (of ₹ 10/- each):</b>					
(a) Basic	8.00	0.01	(0.16)	7.77	(11.26)
(b) Diluted	8.00	0.01	(0.16)	7.77	(11.26)
See accompanying note to the Financial Results					





**NOTES:**

- 1 The above financial results for the quarter and year ended 31.03.2016 were reviewed by the Audit Committee and upon its recommendations were approved by the Board of Directors at their meeting held on 30.05.2016
- 2 Previous year/ Quarter figures have been regrouped/restated wherever necessary.
- 3 The Company has primarily engaged in business of manufacturing, trading and servicing of telecommunication equipments and rendering other associated / ancillary services and there are no other reportable segments as per Accounting Standard (AS) 17.
- 4 The Company is a Sick Company as per provisions of Sick Industrial Companies Act (SICA), 1985. CCEA has approved a financial assistance of ₹ 4156.79 Crores in February, 2014, for revival of ITI under Rehabilitation Scheme. As a part of the approved financial assistance, a sum of ₹ 192 crores has been received towards share application money as Capital Grant during the financial year 2014-15 and ₹ 494.02 crores as Revenue Grant towards employee benefit expense and employee related statutory dues during the financial year 2015-16.
- 5 The Statutory Auditors have expressed a qualified opinion on the financial statements for the year ended 31.03.2016
- 6 Figures for the quarter ended March 31, 2016 and March 31, 2015 are the derived figures between audited figures in respect of the full financial year and published year to date figures upto the third quarter (as regrouped/re-arranged) of the relevant financial year.
- 7 During the year, the Company has adopted the estimated useful life of the assets as prescribed under Part C of Schedule II to the Companies Act, 2013 as against the old estimate as assessed by the management with effective from April 01, 2015. However in the absence of adequate information available on the used life of the assets and detailed workings supporting the amount of the depreciation charged, Statutory Auditors have qualified their report stating that they are unable to verify and confirm the correctness of the amount of depreciation charged for the year.
- 8 Other Income for the quarter ended March 31, 2016 includes a sum of ₹26902 lakhs received as revenue grant in aid from DoT towards employee benefit expense and employee related statutory dues.
- 9 Extraordinary item includes revenue grant of Rs. 150 crores received from the DoT, towards employee benefit expense and employee related statutory dues for the period January '15 to March '15
- 10 In the absence of financial statements of Joint Venture Company, India Satcom Limited for the year ended March 31, 2016, consolidated financial statements of the Company could not be prepared.
- 11 The above results are available at [www.itilt-d-india.com](http://www.itilt-d-india.com) and website of stock exchanges at [www.bseindia.com](http://www.bseindia.com) and [nseindia.com](http://nseindia.com)

Particulars	Quarter ended (31/03/2016)
<b>INVESTOR COMPLAINTS</b>	
Pending at the beginning of the quarter	NIL
Received during the quarter	NIL
Disposed of during the quarter	NIL
Remaining unresolved at the end of the quarter	NIL

As per our report of even date  
For M/S Sundar Srini & Sridhar  
Chartered Accountants  
Firm Reg No.: 0042015

R.JAYASANKAR  
Partner  
M. NO. 026298  
Place: Bangalore  
Date : 30.05.2016

For ITI LIMITED

Dr. Janaki Ananthkrishnan  
Director Finance/Chief Financial Officer





## Standalone Statement of Assets and Liabilities

₹ in Lakhs

S No	Particulars	As at	As at
		31/03/2016	31/03/2015
		Audited	Audited
<b>A</b>	<b>EQUITY AND LIABILITIES</b>		
<b>1</b>	<b>Shareholders' funds</b>		
	(a) Share capital	58,800	58,800
	(b) Reserves and surplus	19,719	(6,745)
	(c) Money received against share warrants	-	-
	<b>Sub-Total - Shareholders' funds</b>	<b>78,519</b>	<b>52,055</b>
<b>2</b>	<b>Share application money pending allotment</b>	19,200	19,200
<b>3</b>	<b>Non-current liabilities</b>		
	(a) Long-term borrowings	30,000	30,000
	(b) Trade payables	23,022	41,832
	(c) Other long-term liabilities	1,213	630
	(d) Long-term provisions	8,391	8,875
	<b>Sub-total - Non-current liabilities</b>	<b>62,626</b>	<b>81,337</b>
<b>4</b>	<b>Current liabilities</b>		
	(a) Short-term borrowings	83,892	92,083
	(b) Trade payables	187,511	186,470
	(c) Other current liabilities	127,543	67,666
	(d) Short-term provisions	24,190	35,253
	<b>Sub-total - Current liabilities</b>	<b>423,136</b>	<b>381,472</b>
	<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>583,481</b>	<b>534,064</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Non-current assets</b>		
	(a) Fixed assets	255,012	245,645
	(b) Non-current investments	41	41
	(c) Deferred tax assets (net)	-	-
	(d) Long-term loans and advances	23	252
	(e) Trade receivables	105,088	37,791
	<b>Sub-total - Non-current assets</b>	<b>360,164</b>	<b>283,729</b>
<b>2</b>	<b>Current assets</b>		
	(a) Current investments	-	-
	(b) Inventories	10,383	9,334
	(c) Trade receivables	171,359	184,081
	(d) Cash and cash equivalents	12,119	27,122
	(e) Short-term loans and advances	28,847	29,775
	(f) Other current assets	609	23
	<b>Sub-total - Current assets</b>	<b>223,317</b>	<b>250,335</b>
	<b>TOTAL - ASSETS</b>	<b>583,481</b>	<b>534,064</b>

As per our report of even date  
**For M/S Sundar Sridhar & Sridhar**  
Chartered Accountants  
Firm Reg No.: 004201S

*R. Jayasankar*  
**R. JAYASANKAR**  
Partner

**M. NO. 026298**  
Place: Bangalore  
Date : 30.05.2016

For ITI LIMITED

*Dr. Janaki Ananthakrishnan*  
**Dr. Janaki Ananthakrishnan**  
Director Finance/Chief Financial Officer



**Independent Auditor's Report**

**To the members of ITI limited**

**Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **ITI Limited** ('the Company'), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit.



We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

#### **Basis for Qualified Opinion**

##### **Qualifications not quantifiable**

*(a) In view of Company's own production activities having come down substantially and slow movement in the inventory, there is a need for systematic age wise segregation and analysis of the items comprised in the inventory to assess their usefulness/usability in the production & servicing activities, period over which they could be used as also whether the inventory items are capable of being sold /disposed off as standalone items. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards non-moving and obsolete inventories and the eventual realizable amount in respect of the inventories, as also the possible effect on the financial statements. Aggregate Inventories as at March 31, 2016 were Rs.*

13715.15 lakhs against which provision of Rs. 3332.13 lakhs has been made towards non-moving and obsolescence.

- (b) The Company does not have an adequate mechanism in place to review the balances in trade receivables and in our opinion, there is a need for systematic age wise segregation and analysis including timely adjustment of advances received from customers. In the absence of such reviews and systematic age-wise analysis, we are unable to comment on the adequacy of provision held for doubtful debts and also on the shortfall, if any, on the amount that would be ultimately realizable from the customers. Total Trade Receivables as on March 31, 2016 were Rs. 280824.29 lakhs against which a sum of Rs. 4378.03 lakhs has been provided for doubtful debts.
- (c) No provision for the permanent diminution in the value of the Investment of Rs 40.55 lakhs in the unquoted equity shares of a Joint Venture(JV) Company has been ascertained as required by Accounting Standard 13 on 'Accounting for Investments' read with in the Significant Accounting Policy No.5, in view of the negative net worth and Statutory Auditors of the JV in their Report for the year ended 31.03.2015 have expressed their inability to comment on the going concern concept adopted by the said JV.
- (d) Pending approval from the Government of India on the finalization of the lease terms & agreement, rental income on the land leased out to the Bangalore Metropolitan Transport Corporation(BMTC)(to an extent of the 12.15 acres proposed to be leased out to BMTC is already in the possession of BMTC), has not been recognised as income. A sum of Rs 285.00 lakhs received earlier from the BMTC under an agreement to sell is held under deposits (Refer Note 40.17);
- (e) Non provisioning of interest payable on royalty due to C-DoT in lieu of arrears of rent from the same agency for the premises taken on lease from the Company which is being more than the royalty amount (Refer Note No. 40.23);
- (f) Adequacy of the provisions made towards interest and penalty, if any, leviable for non remittance of statutory dues on sales accounted on provisional basis (tax incidence on such sales not recognized) and delayed/short remittance of other statutory dues including Provident Fund, Employees State Insurance and Tax deducted at source as per the provisions of Income Tax Act, 1961 could not be ascertained;
- (g) Rental income on the land leased out to the Karnataka Power Transmission Corporation Limited (KPTC) (to an extent of the 5 acres proposed to be leased out to KPTC is already in the possession

of KPTC), has not been recognised as income pending finalisation of lease agreement. (Refer Note No. 40.19)

- (h) No impairment assessment has been carried out by the Company by reviewing the carrying amount of assets as at the Balance Sheet date as required by Accounting Standard 28 on 'Impairment of Assets' read with Significant Accounting Policy No. 16 of the Company and hence identification of impairment loss and provision thereof, if any, has not been made.
- (i) Our comments on the non-maintenance of proper fixed assets register and no physical verification of fixed assets has been carried out by the Company in a few units as stated in para i(a) and i(b) in the annexure A to this Report containing a statement on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's Report) Order, 2016.
- (j) During the year, as referred to in Note No 40.25, the company has adopted the estimated useful life of the assets as prescribed under Part C of Schedule II to the Companies Act, 2013 as against the old estimate as assessed by the management. However in the absence of adequate information available on the used life of the assets and detailed workings supporting the amount of the depreciation charged, we are unable to verify and confirm the correctness of the amount of depreciation charged for the year. Further, in the absence of proper workings, the transitional provision as mentioned in Note 7(b) to Schedule II has not been adopted by the company a sum of Rs. Nil has been adjusted against the retained earnings for the assets whose useful life is expired as on 01 April 2015. Had the company adopted Schedule II in the previous year the effect on the depreciation charge and on the transitional adjustment could not be quantified

**Our opinion is modified in respect of these matters.**

**Qualifications quantifiable**

- (a) Non provision of Rs. 8853.64 lakhs towards claims doubtful of recovery comprising of
- (i) rent receivable of Rs 5847.90 lakhs on a premises leased out upto the period ended 31.3.2011 and no rental income for the period subsequent to 31.03.2011 for the same premises has been recognised on accrual basis due to uncertainty of realization (Refer Note No.40.23);
- (ii) Liquidated Damages (LD) of Rs 1049.41 lakhs on a supplier claimed by Bangalore Plant, rejected by the Arbitral Tribunal and the matter is pending before High Court of Delhi. However in the absence of adequate information to support that the claims are sustainable, we are unable to comment on the carrying value of this claim and



*the shortfall, if any, on the amount that would be ultimately realized by the Company;*

*(iii) LD claimed by Mankapur Unit from MTNL Delhi and MTNL Mumbai for Rs. 183.23 lakhs and Rs. 82.90 lakhs respectively;*

*(iv) Amount recoverable to an extent of Rs. 1690.20 lakhs from HCL Info Systems Limited by Mankapur Unit towards conditional reimbursement as per the agreement between Company and HCL Info Systems Limited.*

- (b) *Reversal of provisions created for certain items of expenditure amounting to Rs. 2007.86 lakhs have been made in the books of Mankapur Unit. In the absence of adequate information and reconciliation supporting that provisions are no longer required, the auditors of the said unit have issued a modified opinion.*

***Our opinion is modified in respect of these matters.***

#### **Qualified Opinion**

***Subject to the above qualifications,*** in our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

#### **Emphasis of matter**

**We draw attention to the following matters in the Notes to the Financial Statements:**

- (a) Cumulative Redeemable Preference Shares amounting to Rs 30000.00 lakhs overdue for redemption continued to be shown under Share Capital since the redemption is part of the BIFR package envisaged for the Company(Refer Note No. 1);
- (b) Formal conveyance/lease deeds in respect of lands, excepting part of lands at Bangalore and Mankapur, are yet to be executed by the respective State Governments (Refer Note No. 13);
- (c) Necessary accounting adjustments for acquisition of 1.375 acres of land by the National Highway Authority of India (NHAI) for public purposes to be made on receipt of compensation, with proportionate cost of the acquired land having been withdrawn from the fixed assets and held as claims recoverable(Refer Note No. 40.18);

- (d) Balances in the accounts of trade payables, advances from customers, trade receivables, claims recoverable, loans & advances, materials with fabricators, sub contractors/others, material in transit, deposits, loans and other payables/receivables such as Sales Tax, VAT, Excise Duty, CENVAT, Service Tax, TDS etc., being under confirmation/reconciliation. Adjustments, if any will be made on completion of such reconciliation /receipt of confirmation. (Refer Note 40.4);
- (e) Penalty of Rs. 2685 Lakhs for non payment of guarantee fee to the Government of India, having not been provided for, since the Ministry of Communications and IT has agreed in principle to waive the same as part of Company revival package (Refer Note No. 40.9);
- (f) The Company is Sick Company as per provisions of Sick Industrial Companies Act (SICA), 1985. CCEA has approved a financial assistance of Rs. 4156.79 Crores in February, 2014, for Revival of ITI under Rehabilitation Scheme (Refer Note No. 40.16)
- (g) No lease agreement has been entered with ESIC for the additional land occupied by the Corporation to an extent of 229 sqmt. (Refer Note 40.20)
- (h) Land measuring 77 Acres have been resumed by the Govt of Kerala and is under adjudication of the Apex Court. The value of land as shown in the balance sheet includes the value of land resumed by the Govt Of Kerala (Refer Note 40.21)
- (i) Validity of Claims recoverable from DoT towards loss incurred by Srinagar Unit. A sum of Rs. 393.87 lakhs and a sum of Rs. 266.99 lakhs is pending from DoT for the loss incurred by the said units in FY 2013-14 and for FY 2014-15 respectively.

***Our opinion is not modified in respect of these matters.***

#### **Other Matters**

- a) *We did not audit the financial statements of five Units whose financial statements reflect total assets of Rs. 464290.89 Lakhs as at March 31, 2016, total revenues of Rs. 78502.78 Lakhs and Loss after tax of Rs. 22910.44 Lakhs for the year ended on that date. These financial statements are audited by the respective Unit Auditors appointed by the Comptroller & Auditor General of India whose reports have been furnished to us and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such other auditors.*

- b) We have relied on the unaudited financial statements of certain Regional Offices whose financial statements reflect total assets of Rs. 15633.88 Lakhs as at March 31, 2016, total revenues of Rs. 7960.69 Lakhs and Loss after tax of Rs. 410.33 Lakhs for the year ended on that date. These unaudited financial statements of ROs have been certified by the Management and furnished to us and our report is based solely on such unaudited financial statements.

**Our opinion is not modified in respect of these other matters.**

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Units not visited by us.
  - c) The reports on the accounts of those Units of the Company audited under Section 143 (8) of the Act by the Unit auditors have been sent to us and have been properly dealt with by us in preparing this report.
  - d) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the units not visited by us.
  - e) *Except for the effects of the matter described in the Basis for Qualified opinion under the caption qualifications not quantifiable*, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - f) Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director' is not applicable to the Company in view of Notification No. G S R 463(E) dated June 05, 2015;

- g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 40.12(b) to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
3. As required by Section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact on the accounts and financial statements of the Company – Reference Annexure C attached.

**For Sundar Sridhar & Sridhar**  
**Chartered Accountants**  
Firm Registration No: 004201S

*R. Jayasankar*

**R. Jayasankar**  
**Partner**  
Membership No: 026298  
Place: Bangalore  
Date: May 30, 2016



**Annexure - A to the Auditors' Report**

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report that:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets on the basis of available information *except for the assets located at Bangalore Plant, Bangalore NS Unit, Mankapur Unit and Corporate Office where the records are to be updated in relation to location and adjust for revaluation and be reconciled with the Books of Account.*
- (b) According to the information and explanations given to us and on the basis of the Report of the Other Auditors, *except for the fixed assets located at the Bangalore Plant, Bangalore NS Unit, Rae Bareli, Palakkad Unit and Corporate Office, fixed assets at all other locations have been physically verified by the management and no material discrepancies were noticed on such verification. Pending physical verification of fixed assets at the above referred locations, discrepancies, if any, cannot be ascertained and accounted for.*
- (c) *We are unable to comment on whether the title deeds of immovable properties are held in the name of the Company as sufficient information and appropriate evidence supporting the same in the units where we have audited are not made available to us and in the absence of the specific comment on the same by the other Auditors in their Report.*
- ii. According to the information and explanations given to us, inventories (excluding those with third parties) have been physically verified by the management at reasonable intervals *other than at*
- *Bangalore Plant where perpetual inventory system verification has been followed. However, documentation does not support the assessment of the reasonableness of the intervals of verification;*
  - *NSU Unit &*
  - *Raebareli Unit*

According to the information and explanations given to us and based on the Report of the Other Auditors, no material discrepancies were noticed on physical verification of the inventories at the locations where Management had carried out physical verification. However, *at Bangalore Plant since documents supporting the comparison of physical stocks with book records are not made available, we are unable to comment on the discrepancies.*

- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore paragraph 3(iii) of the Order is not applicable to the Company.
- iv. The Company has not granted any loans or provided any guarantees or security to the parties covered under Section 185 of the Act. The Company has complied with the provisions of section 186 of the Act in respect of investments made or loans provided to the parties covered under Section 186.
- v. The Company has not accepted deposits from public in accordance with the provisions of sections 73 to 76 of the Act and the rules framed there under.
- vi. We have broadly reviewed the cost records maintained by the Company as specified by the Central Government under section 148(1) of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is not regular in depositing undisputed statutory dues including Provident Fund employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities *and a sum of Rs 1578.60 lakhs and Rs. 8525.76 lakhs and Rs 4327.65 lakhs and Rs. 721.49 lakhs pending as arrears pertaining to Provident Fund in the books of Naini, Raebareli, Mankapur and Bangalore Plant units respectively, and further a sum of Rs.1.23 lakhs pending as arrears towards Employees State Insurance pertaining to Bangalore NS Unit and further a sum of Rs. 117.72 lakhs pending as arrears towards U.P*

Trade Tax on Sales in the books of Raebareli which are not disputed and are outstanding for a period of more than six months from the date they became payable. We have been informed that Sales Tax & Service Tax liabilities on sales set up on provisional basis are not recognised & accounted.

- (b) According to the information and explanations given to us and based on the Report of the Other Auditors, statutory dues that have not been deposited with the appropriate authorities on account of any dispute are as follows:

Sl. No.	Name of the statute	Nature of dues	Amount in Rs. Lakhs	Period to which the dispute relates	Forum where the dispute is pending
1.	Central Excise Act, 1944	ED demanded on insurance, freight and amount of credit notes.	71.55	2007	Custom Excise & Service Tax Appellate Tribunal
2.	Central Excise Act, 1944	CENVAT credit availed on scrap and write off cases disallowed	16.75	2005	Custom Excise & Service Tax Appellate Tribunal
3.	Central Excise Act, 1944	Nil rate of duty availed on Software disputed by CE dept (Net of Pre deposit Rs.200.00 lakhs)	637.00	2003-2005	Custom Excise & Service Tax Appellate Tribunal
4.	Central Excise Act, 1944	ED Demanded on R&D prototype modules for field trail. Stay extended ( net of pre deposit Rs.30.00 lakhs)	299.00	2006-07	Custom Excise & Service Tax Appellate Tribunal

5.	Central Excise Act, 1944	Duty Short paid	0.99	1998-99	Custom Excise & Service Tax Appellate Tribunal
6.	Central Excise Act 1944	Nil Rate of Duty availed on software disputed by Central excise dept (Net of Pre deposit Rs. Rs.14.00)	496.76	2001-2002 2002-2003	Custom Excise & Service Tax Appellate Tribunal
7.	Central Excise Act 1944	CENVAT Credit availed	376.00	2007-2008	Custom Excise & Service Tax Appellate Tribunal
8.	Central Excise Act 1944	110%/115% demanded on transfer of purchased items to sister units	108.28	2007-2008	Custom Excise & Service Tax Appellate Tribunal
9.	UP VAT	Sales Tax	264.89	1986-1989	UP Government
10.	UP VAT	Sales Tax	15.32	1989-1996	UP Government
11.	UP VAT	Sales Tax	158.12	1987-1989 1996-1998 2000-2002	UP Government
12.	UP VAT	Sales Tax	429.96	1987-1989 1996-1998 2000-2002	Member Tribunal
13.	Service Tax (Finance Act, 1994)	Service Tax	3.52	2012-2013	Commissioner (Appeals ) Allahabad
14.	Income Tax Act, 1961	Penalty/Additional fees For TDS	96.31	2007-2016	CPC (TDS)



15.	Central Sales Tax, 1956	Demand of Additional Tax against Form C – Naini	1013.98	2005-06	Addl Commissioner, Appeals Commercial Tax, Allahabad
16.	Central Sales Tax, 1956	Demand of Additional Tax against Form C	5.30	2007-08	Dy. Commissioner sector 14, Commercial Tax, Allahabad
17.	Central Sales Tax, 1956	Demand of additional Tax Against Form C/F	9.23	2008-09	Addl Commissioner, Appeals Commercial Tax, Allahabad
18.	Central Sales Tax, 1956	Addl. Commissioner Appeals Commercial Tax Allahabad	36.61	2009-10	Joint Commissioner, Commercial Tax, Allahabad
19.	Central Sales Tax, 1956	Demand of Additional Tax Against Form C/F	44.43	2010-11	Dy. Commissioner sector 14, Commercial Tax, Allahabad
20.	Central Sales Tax, 1956	Demand of Additional Tax against Form C/F	10.96	2011-12	Addl Commissioner, Appeals Commercial Tax, Allahabad
21.	Central Sales Tax, 1956	Demand of Additional Tax against Form C	96.17	2012-13	Dy. Commissioner sector 14, Commercial Tax, Allahabad
22.	Central Sales Tax, 1956	Sales Tax	97.72	2006-2007	DC (Appeals) Ernakulam
23.	Central Sales Tax, 1956	Sales Tax	0.88	2009-2010	DC (Appeals) Ernakulam

24.	Central Excise Act, 1944	Excise duty	91.65	2003-2004	Commissioner (Appeals), Kochi
25.	Central Excise Act, 1944	Excise duty	68.07	2001-2002	Commissioner (Appeals), Kochi
26.	Central Excise Act, 1944	Excise duty	5.15	2002-2003	Commissioner (Appeals), Kochi
27.	Service Tax (Finance Act, 1994)	Service Tax	109.44	2010-2011	Commissioner of Central Excise, Calicut
28.	Central Excise Act, 1944	Provision for obsolescence	52.28	2011-2012	Commissioner of Central Excise, Calicut
29.	Service Tax (Finance Act, 1994)	Service Tax	140.34	2011-2012	Commissioner of Central Excise, Calicut
30.	Service Tax (Finance Act, 1994)	Denial of service Tax Credit on Input Services	161.27	2011-2012	Commissioner of Central Excise, Calicut
31.	Service Tax (Finance Act, 1994)	CENVAT Credit on Manpower supply	2.76	2012-2013	Commissioner of Central Excise, Calicut
32.	Service Tax (Finance Act, 1994)	CENVAT Credit on Manpower supply	2.69	2012-2013	Commissioner Calicut
33.	Sales Tax Act	Sales Tax	280.86	2000-2021 2003-2004 2005-2006	Trade Tax Tribunal, Lucknow
34.	Sales Tax & Entry Tax Act	Sales Tax	234.05	1998-1999 2000-2005 2006-2009	Additional Commissioner (TradeTax ) Lucknow

35.	Sales Tax Act	Sales Tax	0.93	2000-2001	Dy. Commissioner (Trade Tax) RBL
36.	Sales Tax	Sales Tax	423.57	2009-2013	Additional Commissioner (TradeTax ) Lucknow
37.	Karnataka Municipalities Act, 1964	Demand for higher rate of property tax	1360.90	2008-09 to 2015-16	High Court of Karnataka
		<b>Total</b>	<b>7125.97</b>		

- viii. According to the records of the Company examined by us and information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any bank or Government.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x. According to the information and explanations given to us and based on the Report of the Other Auditors, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. Being a Government Company, paragraph 3(xi) of the Order with regard to Section 197 of the Companies Act, 2013 relating to Managerial Remuneration is not applicable to the Company in view of Notification No.G S R 463(E) dated June 05, 2015.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such related party transactions have been disclosed in the financial statements as required under Accounting

standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

**For Sundar Sridhar & Sridhar**  
**Chartered Accountants**  
Firm Registration No: 004201S

*R. Jayasankar*

**R. Jayasankar**  
**Partner**  
Membership No: 026298  
Place: Bangalore  
Date: May 30, 2016



**Annexure - B to the Auditors' Report**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We were engaged to audit the internal financial controls over financial reporting of ITI Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the Standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit conducted in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act,

2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India.

Because of the matter described in Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on internal financial controls system over financial reporting of the Company.

### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Disclaimer of Opinion**



The system of internal financial controls over financial reporting with regard to the Company were not made available to us to enable us to determine if the Company has established adequate internal financial control over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2016

The system of internal financial controls over financial reporting with regard to the Units of the Company have not been audited by the respective statutory auditors of the Units and we are unable to determine if the Units have established adequate internal financial control over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2016

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and the disclaimer has affected our opinion on the financial statements of the standalone Company and we have issued a qualified opinion on the financial statements.

**For Sundar Srini & Sridhar**  
**Chartered Accountants**  
Firm Registration No: 004201S

*R. Jayasankar*

**R. Jayasankar**  
**Partner**  
Membership No: 026298  
Place: Bangalore  
Date: May 30, 2016



## Annexure -C

Directions under Section 143(5) of the New Companies Act, 2013 issued by the Comptroller and Auditor General of India to the Statutory Auditors of ITI Limited, for conducting audit of accounts for the year 2015-16.

S.No.	Area	Auditor Comment
1.	Whether the Company has clear title / lease deeds for Freehold and Leasehold respectively? If not Please state the area of Freehold and Leasehold land for which title / lease deeds are not available.	Refer para i(c) of Annexure A to Auditors' Report
2.	Whether there are any cases of waiver /write off of Debts/loans/Interest etc., if yes, the reasons therefore and the amount involved.	Nil
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift(s) from Govt. or other authorities	Proper records are being maintained for the inventories lying with third parties and assets received as gift/grant(s) from Govt or other authorities. However, during the year, there is no case of assets received as gif/grant(s) from Govt. or other authorities.

For Sundar Sridhar & Sridhar  
Chartered Accountants  
Firm Registration No: 004201S



R. Jayasankar  
Partner  
Membership No: 026298  
Place: Bangalore  
Date: May 30, 2016





**ANNEXURE I**

**Statement Of Impact Of Audit Qualifications For The Financial Year Ended March 31<sup>st</sup>, 2016**

**(Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016)**

*(In Rs. Lakhs)*

Sl. No.	Particulars	Audited Figures ( as reported before adjusting for qualifications)	Adjusted figures (audited figures after adjusting for qualifications)
1	Turnover / Total income	178741.94	176734.08
2	Total Expenditure	153623.22	162517.41
3	Net Profit/(Loss)	25118.71	14216.66
4	Earnings per share	7.77	3.99
5	Total Assets	583481.05	574586.86
6	Total Liabilities	504981.88	506989.74
7	Net worth	-156918	-167820.05
8	Any other financial item(s) (as felt appropriate by the management)	NA	NA

Qualification No. 1

Sl. No.	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>In view of Company's own production activities having come down substantially and slow movement in the inventory, there is a need for systematic age wise segregation and analysis of the items comprised in the inventory to assess their usefulness/usability in the production &amp; servicing activities, period over which they could be used as also whether the inventory items are capable of being sold /disposed off as standalone items. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards non-moving and obsolete inventories and the eventual realizable amount in respect of the inventories, as also the possible effect on the financial statements.</p>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	<p>Audit Qualification –Not Quantified</p> <p>(i) Management's estimation on the impact – Nil.</p> <p>(ii) Reasons – Inventory available has been reviewed and provision is made after a review by the technical committee for their usefulness in each unit. The existing provision is found to be adequate</p> <p>(iii) Auditors' comments – Refer to the comments made in the details of qualification</p>

Qualification No. 2

II	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>The Company does not have an adequate mechanism in place to review the balances in trade receivables and in our opinion, there is a need for systematic age wise segregation and analysis including timely adjustment of advances received from customers. In the absence of such reviews and systematic age-wise analysis, we are unable to comment on the adequacy of provision held for doubtful debts and also on the shortfall, if any, on the amount that would be ultimately realizable from the customers. Total Trade Receivables as on March 31, 2016 were Rs. 280824.29 lakhs against which a sum of Rs. 4378.03 lakhs has been provided for doubtful debts.</p>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	<p>Audit Qualification –Not Quantified</p> <p>(i) Management’s estimation on the impact – Nil.</p> <p>(ii) Reasons – The company is making provision for doubtful debts after review on a case to case basis as per company’s accounting policies and the existing provision is found to be adequate. Also efforts are being made to adjust the outstanding advances against the debtors.</p> <p>(iii) Auditors’ comments – Refer to the comments made in the details of qualification</p>

#### Qualification No. 3

II	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>No provision for the permanent diminution in the value of the Investment of Rs 40.55 lakhs in the unquoted equity shares of a Joint Venture(JV) Company has been ascertained as required by Accounting Standard 13 on ‘Accounting for Investments’ read with in the Significant Accounting Policy No.5, in view of the negative net worth and Statutory Auditors of the JV in their Report for the year ended 31.03.2015 have expressed their inability to comment on the going concern concept adopted by the said JV.</p>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	<p>Audit Qualification –Not Quantified</p> <p>(i) Management’s estimation on the impact – Rs. 40.55 lakhs,</p> <p>(ii) Reasons – The assets of the JV company (Land), which has been revalued by the SBI panel valuer carries a value very much more than the cost of the investment. Hence the investment of Rs.40.55 lakhs has been shown at cost.</p> <p>(iii) Auditors’ comments – Refer to the comments made in the details of qualification</p>

#### Qualification No. 4

II	Audit Qualification
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a.	<b>Details of Audit Qualification</b> Pending approval from the Government of India on the finalization of the lease terms & agreement, rental income on the land leased out to the Bangalore Metropolitan Transport Corporation(BMTC) (to an extent of the 12.15 acres proposed to be leased out to BMTC is already in the possession of BMTC), has not been recognised as income. A sum of Rs 285.00 lakhs received earlier from the BMTC under an agreement to sell is held under deposits (Refer Note 40.17)
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – The case has been referred to DoT to get approval for leasing the property to BMTC, which is yet to be finalized. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 5

II	Audit Qualification
a.	<b>Details of Audit Qualification</b> Non provisioning of interest payable on royalty due to C-DoT in lieu of arrears of rent from the same agency for the premises taken on lease from the Company which is being more than the royalty amount (Refer Note No. 40.23);
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – 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 the Company’s premises leased out to them. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 6

II	Audit Qualification
a.	<b>Details of Audit Qualification</b> Adequacy of the provisions made towards interest and penalty, if any, leviable for non-remittance of statutory dues on sales accounted on provisional basis (tax incidence on such sales not recognized) and delayed/short remittance of other statutory dues including Provident Fund, Employees State Insurance and Tax deducted at source as per the provisions of Income Tax Act, 1961 could not be ascertained
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – Where sales are accounted based on provisional prices, differential

	<p>sales are accounted in the year in which the prices are firmed up and the differential statutory dues are paid/claimed. Also, all known liabilities have been accounted for and there are no cases of non-deduction of TDS to the best of our knowledge.</p> <p>(iii) Auditors' comments – Refer to the comments made in the details of qualification</p>
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Qualification No. 7

II	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>Rental income on the land leased out to the Karnataka Power Transmission Corporation Limited (KPTC) (to an extent of the 5 acres proposed to be leased out to KPTC is already in the possession of KPTC), has not been recognised as income pending finalisation of lease agreement. (Refer Note No. 40.19)</p>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification – Repetitive
d.	<p>Audit Qualification – Not Quantified</p> <p>(i) Management's estimation on the impact – cannot be quantified</p> <p>(ii) Reasons – efforts are being made by the company regarding the settlement of KPTC land issues at the earliest.</p> <p>(iii) Auditors' comments – Refer to the comments made in the details of qualification</p>

Qualification No. 8

II	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>No impairment assessment has been carried out by the Company by reviewing the carrying amount of assets as at the Balance Sheet date as required by Accounting Standard 28 on 'Impairment of Assets' read with Significant Accounting Policy No. 16 of the Company and hence identification of impairment loss and provision thereof, if any, has not been made.</p>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification – First time
d.	<p>Audit Qualification – Not Quantified</p> <p>(i) Management's estimation on the impact – cannot be quantified</p> <p>(ii) Reasons – The Company has done physical verification of fixed assets and is of the opinion that there is no indication of impairment.</p> <p>(iii) Auditors' comments – Refer to the comments made in the details of qualification</p>

Qualification No. 9

II	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>Our comments on the non-maintenance of proper fixed assets register and no physical verification of fixed assets has been carried out by the Company in a few units as stated in para i(a) and i(b) in the annexure A to this Report containing a statement on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's Report) Order,</p>

	2016.
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – The management is in the process of building proper fixed assets register. The company is not a position to conduct physical verification of fixed assets in a few units due to shortage of man power. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 10

II	Audit Qualification
a.	<b>Details of Audit Qualification</b> During the year, as referred to in Note No 40.25, the company has adopted the estimated useful life of the assets as prescribed under Part C of Schedule II to the Companies Act, 2013 as against the old estimate as assessed by the management. However, in the absence of adequate information available on the used life of the assets and detailed workings supporting the amount of the depreciation charged, we are unable to verify and confirm the correctness of the amount of depreciation charged for the year. Further, in the absence of proper workings, the transitional provision as mentioned in Note 7(b) to Schedule II has not been adopted by the company a sum of Rs. Nil has been adjusted against the retained earnings for the assets whose useful life is expired as on 01 April 2015. Had the company adopted Schedule II in the previous year the effect on the depreciation charge and on the transitional adjustment could not be quantified
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification – First time
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – The management is in the process of identifying the assets whose life is expired as on April 01, 2015 and upon reconciliation of the WDV of those assets whose life is expire would be then transfer to retained earnings. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 11


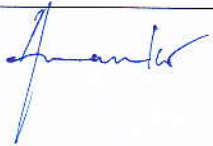

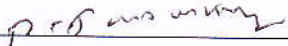
II	Audit Qualification
a.	<b>Details of Audit Qualification</b> Non provision of Rs. 8853.64 lakhs towards claims doubtful of recovery comprising of (i) rent receivable of Rs 5847.90 lakhs on a premises leased out upto the period ended 31.3.2011 and no rental income for the period subsequent to 31.03.2011 for the same premises has been recognised on accrual basis due to uncertainty of realization (Refer Note No.40.23); (ii) Liquidated Damages (LD) of Rs 1049.41 lakhs on a supplier claimed by Bangalore

	<p>Plant, rejected by the Arbitral Tribunal and the matter is pending before High Court of Delhi (Refer Note No. 40.12(b)). However, in the absence of adequate information to support that the claims are sustainable, we are unable to comment on the carrying value of this claim and the shortfall, if any, on the amount that would be ultimately realized by the Company;</p> <p>(iii) LD claimed by Mankapur Unit from MTNL Delhi and MTNL Mumbai for Rs. 183.23 lakhs and Rs. 82.90 lakhs respectively;</p> <p>(iv) Amount recoverable to an extent of Rs. 1690.20 lakhs from HCL Info Systems Limited by Mankapur Unit towards conditional reimbursement as per the agreement between Company and HCL Info Systems Limited.</p>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	<p>Audit Qualification –Quantified</p> <p>(i) Management’s estimation on the impact – Rs.8853.64 Lakhs</p> <p>(ii) Reasons – The company has been rigorously following on with the DoT for resolving the pending issue of the rent due from C-DoT. Subsequently, DoT has informed ITI to present the subject to ITI Board for perusal for the further course of action. Company is of the view that provision for Rs.5847.90 Lakhs at this juncture is not required till the issue is finally settled. As regards the LD of Rs.1049.41 Lakhs, the matter is in the court. Till then, it is felt that no provision is required to make. With regard to other claims amounting to Rs.1956.33 Lakhs, the company is confident of recovering the same.</p> <p>(iii) Auditors’ comments – Refer to the comments made in the details of qualification</p>

Qualification No. 12

II	Audit Qualification
a.	<p><b>Details of Audit Qualification</b></p> <p>Reversal of provisions created for certain items of expenditure amounting to Rs. 2007.86 lakhs have been made in the books of Mankapur Unit. In the absence of adequate information and reconciliation supporting that provisions are no longer required, the auditors of the said unit have issued a modified opinion.</p>

b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –First Time.
d.	Audit Qualification –Not Quantified (iv) Management’s estimation on the impact – 2007.86 Lakhs. (v) Reasons – Noted and information will be provided. (vi) Auditors’ comments – Refer to the comments made in the details of qualification

P K Gupta Chairman& Managing Director	
Dr. Janaki Ananthkrishnan Chief Financial Officer/Director Finance	
S K Kanoria Audit Committee Chairman	
Statutory Auditor	For SUNDAR SRINI & SRIDHAR CHARTERED ACCOUNTANTS FRN : 004201S 

R. JAYASANKAR  
PARTNER  
M.No. 026298

Place: Bangalore

Date: May 30, 2016