



ITI LIMITED



61st ANNUAL REPORT 2010 - 2011



Dear Shareholders,

Welcome to the 61st Annual General Meeting of ITI Ltd. The Notice related to this Meeting, Directors' 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.

The financial year, 2010-11 had been a mixed bag for your Company. We achieved good financial results but ended the year with lower sales revenues when compared to FY 2009-10. Your Company reported a net loss of Rs. 358 crores in the year 2010-11 which is lowest ever loss reported by ITI in the last nine years (excluding grants), i.e. from 2002-03 to 2010-11. The net loss for the financial year 2010-11 has come down by 22 % as against the corresponding period of the previous year when the Company registered a net loss of Rs. 459 crores.

ITI's expenditure in important areas like employee cost, financing expenses etc came down during 2010-11 as compared to 2009-10. The Company was able to reduce the expenses on all fronts. However, the sales declined in 2010-11 as orders from the major customers BSNL and MTNL got squeezed.

However, it is a matter of pleasure that efforts to look at opportunities beyond BSNL and MTNL started bearing positive results. ITI and Registrar General of India (RGI) signed an agreement on National Population Register (NPR) project recently. The prestigious project, under the Ministry of Home Affairs, is being executed by ITI Palakkad as a consortium with BEL and ECIL. The duration of the project is about 18 months. ITI has received an order from Ministry of Rural Development for conducting the socio-economic survey of 40 crore population. The scope of the project includes door-to-door data collection in bilingual language by using Hand Held Device, managing the data collection centers at the Tehsil level, generation of soft copy of draft and final list, up-loading of the data to the NIC Server and scheduling of filed activities in consultation with the State officials for the door-to-door data entry. The Palakkad Plant is executing the project and will be supported by other Plants and offices for the overall implementation of the project across the country. ITI Palakkad is also looking forward to strengthen its ties with Indian Space Research Organization (ISRO) by working on some of their projects.

During the year, ITI and Centre for Development of Telematics (C-DOT) signed an agreement to evaluate, discuss and negotiate contractual relationship concerning the Transfer of Technology for Gigabit Passive Optical Network (G-PON) System. The co-operation in this product line will be used for developing indigenous manufacturing of the product in ITI. ITI and C-DOT have developed wide range of land line exchanges for the national network which is a success story for both the organizations.

During the year, ITI made its entry into the power reforms sector by winning the prestigious order from Tamil Nadu Electricity Board (TNEB) for setting up of IT infrastructure for collection of baseline energy and revenue data of the identified towns and setting up of Data Centers and customer care center. The objective is to establish baseline data systems, IT applications for energy accounting and auditing, IT based consumer care services along with common requirements and services for covering the entire Restructured Accelerated Power Development Reforms Program (R-APDRP) Scheme covering 110 towns across Tamil Nadu.

Your Company's Regional Office, Hyderabad bagged an order from Advanced Numerical Research and Analysis Group (ANURAG), DRDO for upgradation of the Centre for High Performance Computing and Research (CHITRA) computing facility. ANURAG's computer is placed at CHITRA. The cluster of computers (280 nodes) enhances high level performance computing facility in the country which includes design for aircraft and airborne system simulation, molecular modeling and bio informatics applications.

ITI's prestigious ASCON III project, started in 2004, is nearing completion and the Company is expecting the completion certificate from the customer very soon.

ITI's Bangalore Plant is looking forward to produce and market high quality organic gas. Known as "Serigas", it can be connected to standard cooking gas stove and can be used for cooking and for other thermal applications. Your Company is happy to be associated in this Green Venture and hopeful that it succeeds. ITI has also shown interest in the Government of India's semiconductor fabs project as the Company has resources in terms of land, infrastructure and also the manpower to undertake such projects.

It is matter of pride that ITI bagged the "Top Telecom Turnkey Company of the Year 2011" award from Voice and Data, an influential Indian communications magazine. Such awards should boost your Company's morale.

But all this is not enough. ITI's order-book position needs to improve much more to achieve better results and even possible turn-around in next two years. Your Company has been making losses for the last several years. We have been discussing various issues concerning financial, production, R&D, HR challenges and austerity measures that are necessary in the circumstances.

We are trying our best for new business opportunities in defense, banking, solar, LED lighting and railways. We have to reduce our over-dependency on BSNL and MTNL and concentrate on diversification of products to improve the Company's bottom-line. The thrust areas of ITI's MoU signed recently with DoT aims at ITI coming back to profits. The Company is also required to adhere to implementation schedules of all the orders bagged by it and reduce the liquidated damages (LD).

I and my team are happy to inform you that ITI's revival proposal is with the Board for Industrial & Financial Reconstruction (BIFR). The Operating agency for Draft Rehabilitation Scheme (DRS) is State Bank of India. In case the proposal is approved and accepted by the Government, our priority will be to revive all our manufacturing units. BIFR has put ITI case on the fast track.

The Ministry of Communications and IT has also formed a committee to develop business synergy between the PSUs and autonomous organizations under its administrative control for better financial health of these organizations i.e. BSNL, MTNL, ITI, C-DOT and C-DAC. We see a thrust on the indigenous equipment manufacturing and have lot of hope in the new telecom policy being formulated by the Government.

I am grateful to the Government of India, Department of Telecommunications, Telecom Commission, BSNL, MTNL, TCIL, all departments of Central and State Governments, Defence 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.

K. L. Dhingra

Chairman and Managing Director

NB: This does not purport to be a record of the proceedings of the 61st Annual General Meeting.

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BOARD OF DIRECTORS**Shri K. L. Dhingra**

Chairman and Managing Director
(from 07.04.2010)

Shri B.P. Gupta

Director – Finance (upto 31.01.2011)

Shri K.K. Khurana

Director–Human Resources
(upto 31.03.2011)

Shri R.K. Agarwal

Director–Marketing

Shri K. K. Gupta

Director –Production (from 01.05.2010)

Shri Ravi Khandelwal

Director – Finance (from 05.03.2011)

Lt. Gen. P. Mohapatra, SO-in-C

Director (Govt. Nominee)

Shri A.K. Srivastava

Director (Govt. Nominee) (upto 31.07.2011)

Shri N.K. Srivastava

Director (Govt. Nominee)
(from 01.08.2011)

Shri A.K. Jain

Independent Director (Upto July 2011)

Shri V.H.Ron

Independent Director (Upto July 2011)

Shri A.S.Bansal

Independent Director (Upto July 2011)

Shri Keshav Saran

Independent Director (Upto July 2011)

Prof. M. Balakrishnan

Independent Director

Shri T.S. Narayanasami

Independent Director

Dr. S.K. Chaudhuri

Independent Director

COMPANY SECRETARY

Ms Rachana Choudhary
(from 21.07.2010)

LEGAL ADVISERS

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

AUDITORS

M/s. Karra & Company, Bangalore
M/s. S. R. Gupta & Co., Naini, Allahabad
M/s. Habibullah & Co., Mankapur
M/s. Varier & Associates, Palakkad
M/s. S. C. Singh & Co., Rae Bareli
M/s Rashid 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
Central Bank of India
Punjab National Bank
Development Credit Bank Limited
Indus Ind Bank Limited
Axis Bank Limited
Vijaya Bank
Indian Bank
Canara Bank

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 - Internal Audit

Ms Rachana Choudhary
Company Secretary

PLANTS / UNITS / PROJECTS

Bangalore Plant
Shri Ramesh K Murthy
General Manager

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

Palakkad Plant
Shri Gopu S.
Addl. General Manager

Mankapur Plant
Shri R.K. Purwar
General Manager

Network Systems Unit
Shri N.K. Bhattacharya
Addl. General Manager

Research & Development
A.M. Uniyal, Lt.Col.(Retd.)
General Manager [R&D]

GSM-Projects, Pune
Shri G.C. Pathak
Addl. General Manager

GSM – Mumbai
Shri A.K. Matkari
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 FIRST Annual General Meeting of ITI Limited will be held on Wednesday, the 28th September, 2011 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 31st March 2011, 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 Dr. S.K. Chaudhuri who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri R.K. Agarwal who retires by rotation and being eligible offers himself for re-appointment.
5. 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 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:

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

"RESOLVED that Shri Ravi Khandelwal, who was appointed with effect from 5th March, 2011 as a Director- Finance 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."

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

"RESOLVED that Shri N.K. Srivastava, who was appointed with effect from 1st August, 2011 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

By Order of the Board
For **ITI LIMITED**

Place: Bangalore
Date: 12.08.2011

sd/-
(RACHANA CHOUDHARY)
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 21.09.2011 to 28.09.2011(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, 4th 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, Dr. S. K. Chaudhuri , Director and Shri R.K. Agarwal, 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 our 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. 6 – Special Business

Shri Ravi Khandelwal was appointed as Director-Finance with effect from 5th March, 2011 by the Board of ITI Ltd in pursuance of letter No. 4-1/2010-Fac-II dated 1st March, 2011 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri Ravi Khandelwal 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 Ravi Khandelwal as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri Khandelwal is Cost Accountant and has done MBA (Finance) and a Commercial Public Enterprises Management Course from University of Bradford, U.K. He has overseas training exposures in Holland, Belgium and Portugal on various subjects including Financial Planning.

Prior to joining ITI Ltd., he was Executive Director of Container Corporation of India Ltd., (CONCOR), a PSU under the Ministry of Railways. Over all, he has 28 years of professional experience.

Shri Ravi Khandelwal is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

For Item No. 7 – Special Business

Shri N.K. Srivastava, Sr. DDG (TEC) was appointed as Government Nominee Director on the Board with effect from 1st August, 2011 in place of Shri A.K. Srivastava, in pursuance of letter No. A-12023/5/89-OC/PSA dated 1st August, 2011 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri N.K. Srivastava 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. Srivastava as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri N.K. Srivastava is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

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

Place: Bangalore
Date: 12.08.2011

By order of the Board
For **ITI LIMITED**

sd/-

(RACHANA CHOUDHARY)
COMPANY SECRETARY

TEN YEAR DIGEST

Rs. in Crores

OPERATING RESULTS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales including services	2139	4660	1741	1210	1818	1749	1389	1257	1795	2317
Accretion/(Decretion) to Stock	(87)	(30)	21	(4)	(21)	(142)	(27)	(184)	(105)	142
Value of Production	2052	4630	1762	1206	1797	1607	1362	1073	1690	2459
Other Income	78	376	176	426	173	139	505	6	67	182
Direct Materials	1662	4210	1476	884	1391	1140	1086	792	1074	1458
Charges on Installation & Maintenance	190	47	75	61	78	75	61	120	157	116
Employees Cost	389	558	401	383	365	382	337	368	389	404
Depreciation	22	24	27	29	38	36	32	42	45	45
Financing Expenses	80	119	292	281	223	225	207	179	156	171
Other Expenses	148	479	313	290	239	314	440	262	310	421
Profit for the year	(361)	(431)	(646)	(296)	(364)	(426)	(296)	(684)	(374)	26
Prior Period Adjustments	3	(28)	(22)	(61)	(40)	(2)	(14)	(22)	(3)	(2)
Profit Before Tax	(358)	(459)	(668)	(357)	(404)	(428)	(310)	(706)	(377)	24
Provision for Tax / Deferred Tax/FRB	-	-	-	1	1	1	-	-	(2)	2
Profit after Tax	(358)	(459)	(668)	(358)	(405)	(429)	(310)	(706)	(375)	22
Dividend	-	-	-	-	-	-	-	-	-	4
FINANCIAL POSITION	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Equity	288	288	288	288	288	288	288	88	88	88
Preference Shares	300	300	300	300	300	300	300	300	100	0
Preference Shares - Application Money Received Pending Allotment	0	0	0	0	0	0	0	0	200	100
Reserves & Surplus	2701	2527	73	64	64	64	64	64	64	97
Revaluation Reserves	2424	2448	2473	2499	2527	2654	-	-	-	-
Miscellaneous expenditure not written off	0	0	0	0	0	8	33	245	148	104
Profit and Loss Account-(Debit)	3975	3622	3219	2551	2192	1787	1358	1048	343	-
Net Worth Funds with Revaluation Reserve	1807	2016	(4)	686	1078	1638	(584)	(772)	54	294
Net Worth without considering DRE not written off and Revaluation Reserve	(617)	(432)	(2477)	(1813)	(1449)	(1008)	(551)	(527)	202	398
Grant-in-aid	69	75	81	86	91	127	155	69	93	113
Bonds	2	7	456	442	416	409	573	344	304	322
Other borrowings and deferred credit	341	271	1688	1789	1326	1572	1057	1414	1121	972
Gross Block	3684	3681	3679	3657	3644	3631	932	1009	1006	986
Depreciation	1137	1089	1040	987	933	768	735	767	747	709
Net Block	2547	2592	2639	2670	2711	2863	197	242	259	277
Capital work-in-progress	7	1	2	1	2	5	4	1	6	12
Current Assets, Loans and Advances :										
Inventory	118	284	403	371	425	412	553	638	871	1048
Debtors	4979	4921	2268	1825	1708	1662	1420	1189	1405	1273
Others	409	631	350	354	398	522	448	267	347	356
Total Current Assets	5506	5836	3021	2550	2531	2596	2421	2094	2623	2677

TEN YEAR DIGEST (Contd...)

Rs. in Crores

FINANCIAL POSITION	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Current Liabilities and Provisions	5911	6136	3523	2305	2425	1846	1581	1356	1414	1381
Working Capital	(405)	(300)	(502)	245	106	750	840	738	1209	1296
Capital Employed (Net Fixed Assets+Working Capital)	2142	2292	2137	2915	2817	3613	1037	980	1468	1573
Sources of Funds:										
Shareholders' Fund	1807	2016	(4)	686	1078	1638	(584)	(772)	54	294
Borrowings	343	278	2144	2231	1742	1981	1630	1758	1425	1294
Deferred Tax	-	-	-	-	-	-	-	-	-	2
Total Funds	2150	2294	2140	2917	2820	3619	1046	986	1479	1590
Application of Funds:										
Net Fixed Assets	2547	2592	2639	2670	2711	2863	197	242	259	277
Working Capital	(405)	(300)	(502)	245	106	750	840	738	1209	1296
Capital Work in progress	7	1	2	1	2	5	4	1	6	12
Investments	1	1	1	1	1	1	5	5	5	5
Total Assets	2150	2294	2140	2917	2820	3619	1046	986	1479	1590
FINANCIAL RATIOS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Working Capital Ratios:										
Current Ratio	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	1.94:1
Working Capital in no. of months of value of Production	N.A	N.A	N.A	2.44	0.71	5.60	7.40	8.25	8.58	6.32
Inventory in no. of months of value of Production	0.69	0.74	2.74	3.69	2.84	3.08	4.87	7.14	6.18	5.11
Debtors(Net of Advances) in terms of months sales and services	18.12	8.50	7.21	12.84	7.80	9.79	10.62	9.94	8.39	5.94
Working capital to total Assets (%)	(18.84)	(13.08)	(23.46)	8.40	3.76	20.72	80.31	74.85	81.74	81.51
Cost of Direct Material to value of Production incl. Excise Duty (%)	80.99	90.93	83.77	73.30	77.41	70.94	79.74	73.81	63.55	59.29
Cost of Direct Material & Charges on Instn to value of Production incl. Excise Duty (%)	90.25	91.94	88.02	78.36	81.75	75.61	84.21	85.00	72.84	64.01
Growth Ratios:										
Annual growth in value of Production (%)	(55.68)	162.77	46.10	(32.89)	11.82	17.99	26.93	(36.51)	(31.27)	12.33
Annual growth in Gross Block excluding Revaluation Reserve (%)	0.29	0.20	2.19	1.31	1.33	4.83	N.A	0.30	2.03	3.25

TEN YEAR DIGEST (Contd...)

Rs. in Crores

OTHER STATISTICS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Turnover composition:										
BSNL/MTNL	1963	4298	1507	806	1525	1448	998	1007	1285	2013
Others	176	362	234	404	293	301	391	250	510	304
Total	2139	4660	1741	1210	1818	1749	1389	1257	1795	2317
Value added	328	335	222	242	328	355	188	201	490	770
No. of Employees as on 31st March	10616	11737	12556	13045	13415	14257	14635	15221	19692	21518
Value Added per Employee (Rs.)	293473	275800	173431	182918	237063	245743	125938	115143	237806	346597
Value of Production per Employee (Rs.)	1835995	3811798	1376509	911565	1298786	1112419	912379	614671	820189	1106860

[Figures in brackets indicate negative figures]

FIGURES AT A GLANCE

Rs. in Crores

BALANCE SHEET	As at 31st March 2011	As at 31st March 2010
(a) What the Company owned		
Fixed Assets	3684	3681
Less: Depreciation	1137	1089
Net Block	<u>2,547</u>	<u>2,592</u>
Capital Work-in-Progress	7	1
Investments	1	1
Current Assets, Loans & Advances	5506	5836
Less: Current Liabilities	<u>5911</u>	<u>6136</u>
	<u>(405)</u>	<u>(300)</u>
	2,150	2,294
(b) Less: What the Company owed		
Bonds	2	7
Cash Credit	341	251
Loans from Financial Institutions/Others	<u>0</u>	<u>20</u>
	<u>343</u>	<u>278</u>
(c) Shareholders' Funds [a]-[b]	1,807	2,016
Represented by:		
Share Capital	588	588
Reserves & Surplus	2701	2527
Revaluation Reserve	2424	2448
Grant-in-aid	69	75
Less: Profit and Loss Account (Debit)	<u>3975</u>	<u>3622</u>
	<u>1,219</u>	<u>1,428</u>
	1,807	2,016

FIGURES AT A GLANCE (Contd..)

Rs. in Crores

PROFIT AND LOSS ACCOUNT	For the year ended 31st March 2011	For the year ended 31st March 2010
(a) What the Company earned		
Sales including services(including excise duty)	2,139	4,660
Other Income	78	376
Increase/(Decrease) in Work-in-Process, Stock-in-Trade and Manufactured Components	(87)	(30)
	2130	5006
(b) What the Company incurred		
Materials	1,852	4,257
Employees Cost	389	558
Depreciation	22	24
Financing Expenses	80	119
Other Expenses(including excise duty)	148	479
	2491	5437
(c) Profit for the year(a-b)	(361)	(431)
(d) Prior Period Adjustments	3	(28)
(e) Profit before tax	(358)	(459)
(f) Less: Provision for Taxation [FBT]	0	0
(g) Profit after tax	(358)	(459)

FIGURES AT A GLANCE (Contd..)

Rs. in Crores

SOURCES AND APPLICATION OF FUNDS	For the year ended 31st March 2011	For the year ended 31st March 2010
SOURCES OF FUNDS		
1. Depreciation	22	24
2. Increase in Borrowings	65	0
3. Reduction in Working Capital	105	0
4. Revenue Grant in aid received	0	311
5. Capital Grant in aid received	180	2509
	<u>372</u>	<u>2844</u>
APPLICATION OF FUNDS		
1. Loss After Tax	358	459
2. Fixed Assets	8	2
3. Reduction in Borrowing	0	1866
4. Capital Grant-in-aid utilised	5	5
5. Increase in Working Capital	0	201
6. Revenue Grant-in-aid utilised	1	311
	<u>372</u>	<u>2844</u>

DIRECTORS' REPORT

To
The Members
ITI Limited

Your Directors have pleasure in presenting the 61st Annual Report of the Company together with Audited Accounts and Auditors' Report thereon for the year ended 31st March 2011.

ITI Limited has reported a net loss of ₹358 Crs in the financial year 2010-11 which is the lowest ever loss (without considering grants) reported by the Company in the last nine financial years. The net loss have come down by 22% from a net loss of ₹459 Crs. reported in the financial year 2009-10.

PERFORMANCE:

The Company was having MoU target of ₹8000 Crs. (sales) for the year 2010-11. Against this MoU target, the Company has achieved Sales and Production of ₹2139 Crs. and ₹2052 Crs. during the year 2010-11 as against ₹4660 Crs. and ₹4630 Crs. respectively during the previous year 2009-10. The decline in overall performance was due to paucity of orders from its major customers i.e. BSNL & MTNL.

The Company's loss has come down from ₹459 Crs. for the previous year 2009-10 to ₹358 Crs. for the year 2010-11. Contribution for the year 2010-11 is ₹160 Crs. as compared to ₹309 Crs. for the year 2009-10.

The Company had entered the year 2010-11 with an Order Book position of ₹2078 Crs. and Advance Purchase Order of ₹ 349 Crs. During the year 2010-2011, the Company received fresh order of ₹ 864 Crs. only.

The Company has signed MoU of ₹ 5300 Crs. (Level-3) for the year 2011-12 with projected gross margin of ₹ 138 Crs. and Net Profit/loss at par.

HIGHLIGHTS:

- The turnover for the year 2010-11 is mainly constituted from GSM-WZ, GSM-SZ, G-PoN, STM, DWDM, ADSL-CPE and Defence and IT solutions.
- The Company is executing Turnkey Project of Registrar General of India (RGI) for creation of Multi Purpose National Identification Card under National Population Register (NPR57) project for the country.
- Company received order for execution of Restructured Accelerated Power Development Reforms Program (RAPDRP) of value ₹ 307 Crs. from Tamil Nadu Electricity Board (TNEB).

PRODUCTION

The productwise details of performance achieved by the Company during the year 2010-11 as compared to the previous year is as given below:

₹ Crs.

Sl. No.	Product/Projects	2010 - 11	2009 - 10
1	OCB - 283 CORE incl I/C	3.36	19.86
2	OCB - 283 CSN	0.45	7.26
4	SSTP/IPTAX	1.77	101.38
5	C-DOT PRODUCTS	4.38	6.02
6	DIVERSIFIED PRODUCTS	32.84	8.45
7	OPTIC FIBRE EQUIPMENTS	45.67	191.96
8	SATCOM	0.00	2.22
9	PCM MuX	14.34	9.46
10	DWDM	56.96	8.25
11	MLLN	2.41	27.36
12	EPBT/CLIP PHONES	8.11	1.49
13	GSM - WZ (incl. BTS, RTT & Shelter)	909.09	1139.79
14	GSM - MTNL	19.37	109.91
15	GSM - SZ	593.08	2003.36
16	WLL - INFRA	14.96	409.46
17	IFWT	-	-
18	ADSL - CPE	37.47	19.78
19	Misc. Products	16.93	17.79
20	DEFENCE/ASCON	54.77	149.72
21	AMC BUSINESS	45.22	66.43
22	USIM/SIM CARDS	6.09	5.84
23	MNID	11.46	9.00
24	SMPS	14.94	16.14
25	G-PoN	119.98	240.14
26	ROs / CCO/IT	125.28	89.25
	TOTAL (including ED)	2138.93	4660.32

NEW PRODUCTS :

- National Population Registration (NPR) project: ITI is one of the three Public Sector Undertakings short listed by RGI (Registrar General of India) for providing Multi Purpose National ID cards. The job involves collection of citizen's data including biometrics followed by issue of ID cards. Recently ITI had received an order to the tune of ₹750 Crs. from RGI for the above project. It is expected that this project will give a substantial turnover in the coming 2 to 3 years with good value addition.

- **G-PON:** ITI is currently manufacturing G-PON equipments at Raebareli Plant in technical collaboration with M/s Alphon Corporation, USA. ITI is the first Indian Company to secure TSEC Certification for this product. Orders received from BSNL have already been executed and further orders are expected. Recently, ITI has also entered into Non-Disclosure Agreement (NDA) with C-DOT to manufacture C-DOT developed G-PON equipments.
- **Next Generation Networks:** Next Generation Network (NGN) is a Soft Switch based Telecommunication network capable of providing services, viz., Voice, Data & Video by encapsulating them into packets. Manufacturing of IP TAX equipment - Class IV, Trunk automatic exchange and Class V, local exchange, based on Soft Switch architecture is planned. BSNL and MTNL's plans to migrate their TDM switches to NGN in order to provide new services to customers will boost the NGN market.
- **Carrier Ethernet:** Carrier Ethernet is the next generation transport technology for high bandwidth packet access for internet and business communication. ITI is in the process of finalising a technology partner for this product to address anticipated tender from BSNL. The defence project of Network for Spectrum is also expected to have a huge requirement for Carrier Ethernet switches.
- **HSDPA (High Speed Data Packet Access):** With the successful auction of 3G spectrum, 3G networks are getting deployed and hence there is a huge demand for customer premises equipments like 3G HSDPA Data Cards. ITI is planning to address various opportunities coming from this product.
- **Non-Telecom products :**
 - (A) **Solar power equipments for rural BTS sites:** Manufacturing of Solar power equipments for rural BTS sites is under consideration which will help for better penetration of mobile communication into rural areas where availability of power is a major constraint. ITI has successfully demonstrated its capability in this area and is going ahead for upgrading its facility to meet demand.
 - (B) **LED Lighting Products:** ITI Mankapur plant is planning to take up the manufacturing of LED Lighting products. Huge market potential is available for this product considering the benefits of very low power consumption and longer life of LED Lighting systems.

TECHNOLOGY ALLIANCES:

ITI has technology alliances with the leading Technology providers for the following product range:

Product	Technology provider
GSM-BTS	Alcatel-Lucent, France
G-PON	Alphon, USA
CDMA Infrastructure equipments.	ZTE, China
NGN (Class 4)	Huawei, China
NGN (Class 5)	ZTE, China
STM 1,4,16	Tejas, India
STM 64	Xalted, India
DWDM	ZTE, China
Antenna for GSM / CDMA	Mobi, China
Microwave equipments	SAF Tehnika, Latvia
CLI phones	Pramod Telecom, India
ADSL –CPEs	SEM India
MLLN	Tellabs, Finland
SSTP	Tekelec, USA
Radio Modem	Shyam Telecom, India
SIM cards	WatchData, China
USIM Cards	Bartronics

EXPORT:

The exports of the Company for the year 2010-2011 was NIL.

FINANCE:

The performance of the Company for the year 2010-2011 as compared to the previous year is as follows:

(₹. in Crs.)

SI NO.	Particulars	2010-2011	2009-2010
i.	Sales including services	2139	4660
ii.	Value of Production	2052	4630
iii.	Loss before tax	358	459
iv.	Loss after tax	358	459
v.	Financing Expenses	80	119
vi.	Depreciation	22	24
vii.	Capital Employed (Net Fixed Assts + Net Current Assets)	2142*	2292*
viii.	R&D Expenditure	19	24

*Including Revaluation Reserves

DIVIDEND:

As your Company has incurred a loss, the Directors are not in a position to recommend any dividend for the year 2010-2011.

HIGHLIGHTS OF THE PRODUCTION PLANTS**BANGALORE PLANT:**

Bangalore Plant achieved a turnover of ₹88.03 Crs. (with ED). supply consisting of WLL-CDMA Infra worth ₹14.96 Crs., Defense equipment of ₹ 9.01 Crs, ADSL-CPEs worth ₹24.96 Crs., PCM MUX, etc. Worth ₹14.34 Crs., Switching equipment, OCB-CSN / C-DoT / Microwave items, AMC & repair etc. Worth ₹18.12 Crs. and Data Centre's turnover worth ₹6.64 Crs.

MANKAPUR PLANT:

Mankapur Plant has achieved a turnover of ₹132.40 Crs. (with ED) during the year. The Plant supplied 1236 Nos. GSM (BTS) and 983 Nos. Expansion Kits worth ₹113.33 Crs. equipments, C-DoT products worth ₹4.38 Crs., ADSL-CPE worth ₹12.51 Crs. and Banking product worth ₹2.18 Crs.

The Plant has bagged 16th National Safety Award and 3rd National Energy Conservation Award. This is the first Plant to obtain ISO 9001: 2008 Certificate.

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

RAE BARELI PLANT:

Rae Bareli Plant has achieved a turnover of ₹235.06 Crs. (with ED) during the year. The Plant supplied 1135 Nos. GSM (BTS) 500 TRU Expansion and 20 nos. Shelter worth ₹78.64 Crs. equipments and SMPS worth ₹14.94 Crs. Further, the Plant achieved ₹119.98 Crs. from the supply of G-PoN equipments and ₹21.50 Crs. from the sale of BSNL SIM Cards.

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 27th September 2010.

NAINI PLANT:

Naini Plant has achieved a turnover of ₹108.81 Crs. (with ED) during the year. The Supplies consists of STM products worth ₹45.67 Crs, DWDM equipment worth ₹56.95 Crs, and CLI Phones and miscellaneous products worth ₹6.19 Crs.

PALAKKAD PLANT:

Palakkad Plant has achieved a turnover of ₹ 27.27 Crs. (with ED) during the year. The Plant supplied MLLN equipment worth ₹ 2.41 Crs, OCB-283 CORE worth ₹3.36 Crs., SIM/USIM Cards worth ₹ 6.09 Crs., MNID Project worth ₹11.46 Crs. and Misc/ Contract Manufacturing worth ₹ 3.95 Crs.

ITI was selected as one of the PSU consortium member along with M/s BEL and M/s ECIL by RGI for the NPR Project. This Plant is executing the Project which includes Data Collection, Biometrics, Manufacturing and Personalization of Smart Cards under NPR57 project for ₹17 Crores of coastal states population.

Palakkad Plant achieved an award from National Safety Council, Kerala Chapter and Runner up award for Outstanding Safety Performance in industrial safety by achieving the lowest frequency rate of accidents.

The Plant is also awarded from Dept. of Factories & Boilers, Govt. of Kerala, Second Prize for Outstanding Safety Performance in Industrial Safety among the category of very Large Factories (Engineering).

Awarded for achieving highest growth in Central Excise Revenue in Calicut Circle during the year 2010-11.

SRINAGAR PLANT:

Srinagar Plant has achieved a turnover of ₹ 2.18 Crs. (with ED) during the year mainly on supply of CLI Phones and services.

NETWORK SYSTEMS UNIT:

Network Systems Unit has achieved a turnover of ₹90.32 Crs. (with ED) mainly comprising of Annual Maintenance Contract for OCB exchanges worth ₹41.91 Crs. for BSNL & MTNL and AMC for ASCON worth ₹42.77 Crs. The Unit has undertaken ASCON expansion work worth ₹2.33 Crs. and other external plant works of ₹3.31 Crs.

REGIONAL OFFICES & CCO:

Regional Offices and Customer Care Organization achieved a turnover of ₹125.27 Crs. consisting of ₹70.47 Crs of ITI and other traded products, ₹ 22.33 Crs. of Services and ₹6.23 Crs. towards CCO and ₹ 26.24 Crs. towards IT Projects. ROs have implemented SWAN (State Wide Area Network) successfully on BOOT Basis.

GSM Projects:

The Company rolled out Cellular mobile GSM Network against 9 ML Order (Turn-key) in BSNL WZ worth ₹717.12 Crs. And ₹19.37 Crs against Orders from MTNL, Mumbai.

Similarly, GSM Network for BSNL (SZ) was rolled out worth of ₹593.08 Crs. during the year

FUTURE OUTLOOK :

1. Wireless Broadband Equipment for rural: In line with the Government's mission to provide Broadband connectivity to the rural masses under "Bharat Nirman", ITI is planning to enter this area by taking up manufacturing, installation and commissioning of the equipments
2. 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.
3. IT Projects: All the State Governments are aggressively 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 through its Regional offices is already implementing e-Tendering in various Govt. Organization.
4. Data Center: ITI has already set up Tier 3+ state-of-the-art world class Data center at Bangalore on Private-Public Partnership model. ITI is also exploring setting up of own Data center to encash huge market potential in the area of secured data storage.
5. Solar panel: ITI has plans to diversify into manufacture of Green energy products like Solar power systems. ITI is contemplating to be a significant contributor to the Government's ambitious Solar Mission (Jawaharlal Nehru National Solar mission) with an objective of making India as global leader in the manufacture of Solar power equipments.
6. Biogas project: ITI Bangalore plant is planning to take up manufacture of equipments for this project. The project is a low cost solution to source energy in the form of cooking gas or electricity from kitchen waste or bio waste.
7. Contract Manufacturing Activities: ITI has given renewed thrust to take up Contract Manufacturing Activities and is approaching premier Public Sector Undertakings in this regard. ITI Palakkad plant has already tied up with VSSC, Trivandrum to manufacture PCBs to their requirement. ITI Bangalore Plant is doing work for BHEL & HAL on contract manufacturing model to enhance capacity utilization.

CONTRIBUTION TO EXCHEQUER:

During the year, your Company has contributed ₹136.67 Crs to the exchequer towards duties and taxes.

PUBLIC DEPOSITS:

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

REVIEW OF ACCOUNTS BY INDIAN AUDIT AND ACCOUNTS DEPARTMENT:

The Accounts for the year 2010-11 under review by the Indian Audit and Accounts Department is appended.

JOINT VENTURES :**1. INDIA SATCOM LIMITED**

India Satcom Limited (ISL) is a Joint Venture Company incorporated on 5th 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 took steps to sell its entire 49% equity stake in ISL to CTSPL. The Government of India, Ministry of Communications & IT vide its 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 could not be effected. Now, the shareholders in the Joint Venture are ITI (49%) and CTSPL (51%).

2. ITI COMMUNICATIONS PTE. LIMITED, SINGAPORE:

In the year December 1992, a Joint Venture was formed by ITI with M/s Valvas and M/s ISL in the name of M/s ITI Communications Pte Ltd. Singapore. As ITIC was running into losses, Board of Directors in its 314th Meeting held during 1999 decided to close this venture through winding up process.

We have received a communication from the Official Receiver, Singapore that the name of ITI Communications, Singapore has been struck off.

QUALITY:

ITI has a well-established Quality Assurance [QA] wing in every Production Unit. Each Unit QA is responsible for Quality of Products and services rolling out of the Unit. 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. The Quality Policy of ITI is to "provide Competitive and Reliable Products, Solutions and Services." ITI is achieving this through sound Quality Management Systems.

Corporate Quality provides 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). Quality related MOU targets and Quality related issues like AIS, SPC, Six Sigma, 5S, TQM Quality Cost etc.

All the Six manufacturing Plants of the Company stand accredited and upgraded to International ISO 9001:2008 Standards of Quality Management as on date.

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

ITI has bagged prestigious Global Quality Award, "International Quality Summit Award" in Gold Category in a World Congress organized by Business Initiative Directives (BID) Madrid, Spain in Telecom field worldwide. This is for the first time in the history of ITI that our quality is recognized best in Telecom field.

ITI Palakkad Plant is 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, Standardization of Electronic components, Vendor Development and Vendor Rating after stringent evaluation in Testing in Reliability and Environmental laboratory.

MANPOWER

Employee Strength at the end of the year 31st March 2011 was 10616 when compared to previous year's strength 11737.

As on 31.03.2011, there were 1842 employees belonging to Scheduled Castes and 96 belonging to Scheduled Tribes employees, thus constituting 17.35 % and 0.90 % respectively of the total strength of employees on the rolls of the Company. 2 Technicians belonging to SC were recruited on contract basis during the year 2010-2011.

Employees belonging to Ex-servicemen category numbering 56 and Physically Challenged Persons numbering 138 were on the rolls of the Company as at the end of the financial year.

Promotions exercise for Senior Management officers was carried out during the year 2010-2011 and the eligible officers were considered for promotion to the next higher level.

HUMAN RESOURCE DEVELOPMENT:

During 2010-11, the company, continuing its robust approach to achieve turnaround, besides focus on Technology and Business, greater focus was on the Skill upgradation in the areas of Telecom, Information Technology and Organization Development at all levels in

the organization. HR-ED Centres at Corporate and Plant levels were committed to build and mobilize internal expertise for designing / developing technological and management development programmes and in this direction the Centres have notably succeeded by achieving an 'outstanding rating' against the Company MOU target on criteria - Skill upgradation.

Primarily, to keep in pace with and indigenize the advancements in Telecom and Information technologies in-house training programmes were conducted on various topics of core technologies viz., 3-G & 4-G, GPON, GEAPON, WIMAX, NGN, MPLS / VPN. Intensive in-depth training programme on Computer Networking was conducted both for Northern and Southern Plants. Conducting of e-Procurement training programmes to facilitate implementation of company-wide e-tendering is a milestone in the company. Also number of training programmes to enhance the operation skills on Computers were conducted for the benefit of all employees.

729 employees have been imparted training in the areas of Telecom Technology and similarly 730 employees have been trained in Information Technology areas achieving 948.5 and 1695 training mandays respectively.

Management Development programmes were conducted in areas of HR, Finance, Materials Management, Quality, and Vigilance Management to mention a few. 1283 employees have been trained achieving nearly 1495.5 training mandays through these MDPs. General Awareness programmes on topics like health care, safety, resource / energy management etc., benefited 587 participants. Company has nominated nearly 37 executives for external training with renowned institutions.

In a nutshell, during the year, the company has trained over 3366 employees and achieved 4575 training mandays in 131 training programmes.

Corporate HR (ED) has set a milestone employing Real Time Video Conferencing methodology in conducting high end technology programmes like NGN, Transmission Technology etc., covering all the Plants targeting more than 150-200 participants in a stretch. It needs no mention that Company has gained considerable opportunity costs through employing high-tech methodology, developing and engaging internal resource persons and minimizing sponsoring nominations for external training programmes.

INDUSTRIAL RELATIONS

The Industrial Relations scenario in the Company was cordial during the year. Employees' Union and Officers' Association extended their 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 have 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.

Official Language Cell was given an appreciation letter by the Director-OL. Official Language Department DoT, New Delhi.

For Bangalore based Units / Offices, a short-term 5 days "Intensive Hindi Workshop" Programme were organized in Corporate Office, HR(ED) Conference Hall w.e.f. 31.01.2011 to 04.02.2011 with the help of Home Ministry, Official Language Deptt., Hindi Teaching Scheme, Bangalore and more than 40 Officers / Non-Officers participated & they were trained during this training programme.

A Joint Hindi Fortnight Programme for Bangalore based PSUs / Organisations between 04.10.2010 & 29.10.2010 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 07.12.2010, 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 2010-11. 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, the following steps were taken to increase transparency in dealing with vendors / suppliers as under:

- a Tenders and Notice Inviting Tenders are invariably put on website along with Government of India website.
- b The procedures for vendor registration are also put on company website.

The company observes Vigilance awareness week from 25th October to 1st November at all units of ITI Limited including its administrative offices as well as corporate Office.

The Vigilance department gives more importance to preventive vigilance, scrutinizes the documents and conducted surprise checks in sensitive departments. These actions had good impact for creating a corruption free environment.

RIGHT TO INFORMATION:

The Right to Information Act, 2005 has enabled all the citizens to seek information from a Public Authority. Since introduction of the Act, a mechanism has been drawn to process all requests received by Corporate Office/ Units under the Act. The Units and Regional offices have designated PIOs/APIOs with CPIO, Appellate authority and Transparency Officer at the Corporate Office.

The main objective has been to ensure total transparency. The requests are processed and information is being provided to the Appellants within the stipulated time frame and within the provisions of the RTI Act. The details are also put on the web site www.itiltd-india.com.

During the year 2010-11, 321 requests were processed against which 262 were accepted and 27 were rejected while the remaining 30 are under process with 2 requests being transferred to other Public Authorities. The Annual Return are submitted to the Ministry every year for forwarding to the Central information Commission.

AWARDS:

Rae Bareli and Mankapur units of the Company have won National Safety Award for performance year 2008.

Mankapur unit also got Prime Minister's Shram Award which was presented by Minister of Labour and Employment on September 15, 2010 to Smt. Mamta Upadhyay.

Palakkad Unit won Safety Award for its outstanding safety performance in industrial safety in the category of very large factories.

ITI Limited has bagged the "Top Telecom Turnkey Company of the year 2011" award from voice and Data, an

influential Indian Communications magazine from CyberMedia. Shri K.L. Dhingra, Chairman and Managing Director, ITI Limited received the award from Shri R. Chandrashekhar, IAS, Secretary, Ministry of Communications & IT and Chairman, Telecom Commission at a function in New Delhi on July 27, 2011.

SALES PROMOTION:

1. ITI participated in the prestigious Exhibition and Conference, India Telecom 2010 held in New Delhi from December 9-11, 2010. Department of Telecommunications (DoT). The theme of event was 'Broadband for All'.
2. ITI participated in the 19th Convergence India 2011 International Exhibition and Conference organized by Exhibitions India Group from March 24-26, 2011 at Pragati Maidan, New Delhi by putting up a display over an area of 56 sqm. The theme of the event was 'NextGen Applications & Services: Empowering a Billion Lives'

EVENTS:

1. ITI signed Memorandum of Understanding (MoU) with the Telecom Commission for the year 2011-12 on March 16, 2011.
2. ISO Certification for ITI Rae Bareli has been upgraded to New Version ISO 9001; 2008 by certification body NVTQC Bangalore.
3. ITI Ltd. has felicitated Asiad Gold Medalist Ms Sudha Singh, who is daughter of an employee of Rae Bareli Unit, at a function held in Rae Bareli by presenting a cash award of ₹ 5,00,000.00.
4. ITI and Centre for Development of Telematics (C-DoT) – the premier telecom technology center of India, the two wings of Department of Telecommunications signed an agreement on December 11, 2010 to evaluate, discuss and negotiate contractual relationship concerning the Transfer of Technology for C-DoT.
5. Shri Chewing Phunsog (IAS), Chairman, PESB and Shri V.S. Jain, Member, PESB and former Chairman of steel Authority of India (SAIL) visited ITI's Bangalore Plant and Corporate Office on February 5, 2011.
6. Shri S. Ramaratnam, Dy. Director, VSSC inaugurated the "Space Electronics Fabrication Centre" at ITI Palakkad.
7. Shri Beni Prasad Verma, Hon'ble Minister of State for Steel (Independent Charge) has visited ITI Limited, Mankapur from March 4 -5, 2011.

ENTERTAINMENT EXPENDITURE AND FOREIGN TRAVEL:

The expenditure on entertainment was NIL. Expenditure on official travel abroad by the officials of the Company amounted to ₹ NIL 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, are NIL for 2010-2011.

AUDITORS:

Pursuant to Section 619(2) of the Companies Act, 1956, M/s. Karra & Company, Chartered Accountants, Chennai were appointed as Statutory Auditors of the Company for the year 2010-2011 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 2010-2011:-

M/s. S. R. Gupta & Co., Naini Plant, Allahabad
 M/s Varier & Associates, Palakkad Plant
 M/s Rashid Associates, 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.

On attaining the age of superannuation, Shri B.P.Gupta, Director –Finance was relieved of his duties from the post on 31.01.2011. Shri Ravi Khandelwal has assumed the charge of Director- Finance w.e.f 05.03.2011.

Consequent on attaining age of superannuation, Shri K.K. Khurana, Director -HR is relieved of his duties from the post on 31.03.2011. Shri Ravi Khandelwal, Director –Finance vide DoT's letter dated 25.05.2011 entrusted with additional charge of the post of Director- HR.

On completion of tenure, Shri A.S. Bansal, Shri A.K. Jain, Shri V.H. Ron and Shri Keshav Saran, Independent Directors were relieved from the duties from July, 2011.

Consequent on attaining age of superannuation, Shri A.K. Srivastava, Government Director ceased to be Director of the Company w.e.f. 31.07.2011. Shri N.K. Srivastava, Sr. DDG (TEC) vide letter No. A-12023/5/89-OC/PSA dated 01.08.2011 has been appointed as Government Nominee Director in place of Shri A.K. Srivastava.

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

Your Directors wish to place on record the appreciation of the services rendered by Shri B.P. Gupta, Shri K.K. Khurana, Shri A.S. Bansal, Shri A.K. Jain, Shri V.H. Ron, Shri Keshav Saran and Shri A.K. Srivastava 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 31st March 2011 and Loss of the Company for the period ended 31.3.2011.

- (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 : 12.08.2011

Sd/-
(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 Auditor's Observations	Company's Remarks
7a	As stated in Accounting Policy No. 3.0 on Valuation of Inventories, Manufactured items and items lying as Work in Progress are valued at the lower of cost and net realizable value. However in Bangalore plant stocks amounting to ₹15.74 Crores have been carried at cost due to difficulty in ascertaining the Net Realisable Value. We are unable to ascertain the quantum of reduction in the value of inventory if any and consequent impact on the financial statements.	Noted.
7b	The Company has not provided for a sum of ₹26.85 Crores being penalty levied for non-payment of guarantee fee. This has resulted in understatement of Loss and Current Liabilities to the extent of ₹ 26.85 Crores.	The Company has taken up with Ministry for waiver of Guarantee Fees and penalty thereon. The matter is under active consideration of the Ministry.
7c	Balances in the accounts of creditors, debtors, claims & expenses recoverable, loans & advances, deposits, goods with third parties and other payables are subject to reconciliation, confirmation, and consequential adjustments (Refer Note no.13).	This fact is covered in Schedule 10 – Note No.13 of the company accounts.
7d	Interest & penalty leviable for non-remittance of statutory dues, on the 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.	All known liabilities have been accounted for. There are no cases of non-deduction of TDS to the best of our knowledge.
7e	The Company has not provided for interest on royalty payable to C-DOT. (Refer Note no.7)	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.
7f	The impact of the observation in Para 7b has resulted in understatement of loss and understatement of liabilities to the extent of ₹ 26.85 Crores. The impact of the observations in Para 7a and Paras 7c to 7e if any on financial statements is not ascertainable.	Response to all comments 7a to 7e is already made.
ib	According to information and explanation given to us, all fixed assets have been physically verified by the management in a phased manner except for Rae Bareli, R & D, and Regional Offices. No material discrepancies in physical verification have been reported to us.	Noted for compliance.
vi	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.	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								
Viii b	According to information and explanation given to us, following undisputed statutory dues are in arrears for more than 6 months and remain unremitted on 31.3.2011.	<p>a. Financial assistance sought from Ministry under Draft Rehabilitation scheme (DRS) to clear the dues since the Company is Sick.</p> <p>b. An amount of ₹42.03 lakhs has been remitted on 12.08.2011 out of ₹47.43 lakhs to the Investor's Education and Protection Fund retaining the balance as per Income Tax Department's directives. Regarding unpaid dividend amounting to ₹14.12 lakhs, the pay orders are expected from the banks shortly, after which the same will be remitted.</p> <p>c. No Comments.</p>								
	<table border="1"> <thead> <tr> <th>Statutory Dues</th> <th>Amount (₹ in Lacs)</th> </tr> </thead> <tbody> <tr> <td>a. Provident Fund</td> <td>2109.50</td> </tr> <tr> <td>b. Investor Education and Protection Fund</td> <td>61.55</td> </tr> <tr> <td>c. Sales Tax, Excise Duty & Entry Tax</td> <td>Not ascertained as sales recognized on provisional basis</td> </tr> </tbody> </table>	Statutory Dues	Amount (₹ in Lacs)	a. Provident Fund	2109.50	b. Investor Education and Protection Fund	61.55	c. Sales Tax, Excise Duty & Entry Tax	Not ascertained as sales recognized on provisional basis	
Statutory Dues	Amount (₹ in Lacs)									
a. Provident Fund	2109.50									
b. Investor Education and Protection Fund	61.55									
c. Sales Tax, Excise Duty & Entry Tax	Not ascertained as sales recognized on provisional basis									
ix	The net worth of the company (without reckoning the revaluation reserve) as on 31.3.2011 has completely eroded. Further company has incurred cash losses of ₹335.48 Crores & ₹434.45 Crores for the financial year 2010-11 and 2009-10 respectively. The cash losses for both the financial years have been arrived at without reckoning the effect of audit qualifications in our reports.	Please refer to reply under Point. No. 7f above.								

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

ANNEXURE TO THE DIRECTORS' REPORT (Contd..)

FORM – 'B'

RESEARCH & DEVELOPMENT (R & D)

(i) Specific areas of R & D work.

- a) Development of products in Encryption, SCADA, Wireless, Biometrics, Access & NMS.
- b) Diversification of the existing products.
- c) Undertaking Contract design.
- d) Provide Network 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 ₹ 20 Crores to the turnover of the Company.
 - 1) ANANDA MK II BEU
 - 2) MIL PCM SECRECY
 - 3) E1 CR, E1 CAS, E3 CR & STM1
 - 4) IP ENCRYPTORS
 - 5) PRIMARY MUX
 - 6) CDU - (Clock Distribution Unit)
 - 7) TELEPHONES & SPARES
 - 8) CONTRACT DESIGN MODULES FOR M/s. HAL
- b) RDSO evaluation of SCADA for Railways has been completed successfully and order received from railways.
- c) TSEC evaluation completed for ETS-04 Telephone and certificate obtained from BSNL - QA.

(iii) FUTURE PLAN OF ACTION:

The following products are under development

- a) ADSL CPE Type I & II.
- b) ISM Band Radio.
- c) Direct fiber coupled wireless optical communication system.
- d) SCADA for water management.
- e) Next Generation BEU.
- f) Terminal End Secrecy Device.
- g) Enhanced capacity IP Encryptor.

(iv) R & D Expenditure

a) Capital	₹.0.57 Crs.
b) Revenue	₹.19.01 Crs.
TOTAL	₹ 19.58 Crs.

Total R & D Expenditure as a percentage of total: 0.92 %
turnover (Including Excise Duty)

ANNEXURE TO THE DIRECTORS' REPORT (Contd..)

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief made towards technology absorption, adaptation and innovation:
 - a. Manufacture of GSM BTS at Mankapur and Rae Bareli plants.
 - b. Development and manufacture of Tower, Shelter, SMPS for GSM Network.
 - c. Entering into technology alliance for manufacture of equipments for Mobile Communications, Broadband networks, Next Generation Networks and Customer Premises Equipments.

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 Broadband market.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year);

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;

There had been no significant initiative in export market. Now ITI is trying to address various opportunities in this market also and are hopeful to make break through.

- (ii) Total Foreign Exchange earning and outgo:

Earnings	:	₹ NIL Crs
Outgo	:	₹ 764.78 Crs.

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

Place: Bangalore
Date: 12.08.2011

For and on behalf of Board of Directors

Sd/-
K. L. Dhingra
Chairman and Managing Director

ANNEXURE TO THE DIRECTOR'S REPORT (Contd...)

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 31st March 2011, Board of Directors comprises of Chairman & Managing Director, 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 7 Independent Directors.

During the year, 6 Board Meetings were held on 07.05.2010, 04.08.2010, 08.09.2010, 12.11.2010, 15.12.2010 and 11.02.2011.

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	6	6	Yes	1	--
Shri B.P. Gupta (upto 31.01.2011)	Ex D-F	5	5	Yes	1	--
Shri K.K. Khurana (upto 31.03.2011)	Ex D-H	6	6	Yes	--	--
Shri R.K. Agarwal	D-M	6	6	Yes	--	--
Shri K.K Gupta	D-P	6	6	Yes	1	--
Shri Ravi Khandelwal (from 05.03.2011)	D-F	--	--	NA	--	--
Lt.Gen.P. Mohapatra	Govt. Nominee	6	1	No	2	-
Shri A.K.Srivastava (Upto 31.07.2011)	Govt. Nominee	6	3	No	2	--
Shri A.K.Jain (Upto July, 2011)	Independent Director	6	6	No	2	--
Shri V.H.Ron (Upto July, 2011)	Independent Director	6	6	No	--	--
Shri A.S. Bansal (Upto July, 2011)	Independent Director	6	6	Yes	4	--
Shri Keshav Saran (Upto July, 2011)	Independent Director	6	6	No	--	--
Prof M. Balakrishnan	Independent Director	6	3	No	--	--
Shri T.S. Narayanasami	Independent Director	6	4	No	9	1-Chairman 7-Member
Dr. S.K. Chaudhuri	Independent Director	6	4	No	--	-

ANNEXURE TO THE DIRECTOR'S REPORT (Contd...)

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. 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 07.05.2010. The Company's Audit Committee consisted of five Independent Directors, One Govt. Directors and one Whole-time Director. Shri A.S. Bansal was a Chairman of Audit Committee and other members were Shri A.K. Jain, Shri V.H. Ron, Shri T.S. Narayanasami, Shri K. K. Gupta and Shri A.K. Srivastava as member. On completion of tenure, Shri A.S. Bansal, Shri A.K. Jain, Shri V.H. Ron and Shri Keshav Saran, Independent Directors were relieved from the duties w.e.f July, 2011. 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 30.09.2010.

Consequent to the retirement of Shri A.K. Srivastava, Government Nominee Director and completion of tenure of 4 Independent Directors on the Board of ITI Limited, the Committee has been reconstituted on 06.08.2011. The reconstituted committee comprises of Shri T.S. Narayanasami, Dr. S.K. Chaudhuri and Shri K.K. Gupta.

The Committee again reconstituted on 12.08.2011 with the induction of Shri N.K. Srivastava, Govt. Director. The reconstituted Committee comprises of Shri T.S. Narayanasami, Dr. S.K. Chaudhuri, Shri K.K. Gupta and Shri N.K. Srivastava.

The Committee oversees, interalia, 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 31.03.2011 the Audit Committee met 7 times on 07.05.2010, 04.08.2010, 08.09.2010, 12.11.2010, 15.12.2010, 11.02.2011 and 25.02.2011.

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	7	3
Shri A.S.Bansal	7	7
Shri A.K. Jain	7	7
Shri V. H. Ron	7	7
Shri Keshav Saran	7	7
Shri K.K. Gupta	7	7
Shri T.S. Narayanasami	7	3

ANNEXURE TO THE DIRECTOR'S REPORT (Contd...)

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 2010-11 are as follows:

(Remuneration in ₹)

	Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
1.	Shri K.L. Dhingra	863561	--	91448	--	955009
2.	Shri Ravi Agarwal	63318	--	7562	9348	80228
3.	Shri B.P. Gupta	632665	308753	75562	93400	1110380
4.	Shri K.K. Khurana	760812	4200	91371	112950	969333
5.	Shri R.K. Agarwal	725989	61579	87033	107098	981699
6.	Shri K.K. Gupta	718733	61553	86158	106011	972455
7.	Shri Ravi Khandelwal	61152	--	6499	--	67651

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 ₹ 1,98,000/- 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 Committee reconstituted on 12.08.2011. The reconstituted committee comprises of Shri T.S. Narayanasami, Dr. S.K. Chaudhuri and Shri R.K. Agarwal.

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
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
2007-2008	29.09.2008	11.30 A.M.	DR.B.R.AMBEDKAR BHAVAN, BANGALORE

ANNEXURE TO THE DIRECTOR'S REPORT (Contd...)

All the resolutions, including special resolutions, set out in the respective notices of last three Annual General Meetings were passed by the shareholders. No resolution 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 and EDIFAR-SEBI website www.sebidifar@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 61st Annual General Meeting of the members of the company is scheduled to be held on Wednesday, the 28.09.2011 at 11.30 A.M. at Bangalore Tamil Sangam, No. 59, Annaswamy Mudaliar Road, Bangalore-560 042.

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

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

The share transfer books would remain closed during the period from 21.09.2011 to 28.09.2011 (both days inclusive).

The Company's shares are listed at Bombay Stock Exchange Ltd., Mumbai, The National Stock Exchange of India Ltd and Bangalore Stock Exchange Ltd, Bangalore. Your Company has remitted the Listing fees for the year 2010-2011 to the above Stock Exchanges. Scrip Code of Bombay Stock Exchange is - Scrip Code:523610.

11. STOCK MARKET PRICE DATA FOR THE YEAR 2010-2011:

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

MONTH	HIGH	LOW
APRIL 2010	52.60	46.95
MAY 2010	48.25	38.05
JUNE 2010	44.50	40.00
JULY 2010	44.20	39.20
AUGUST 2010	47.40	39.70
SEPTEMBER 2010	48.80	41.20
OCTOBER 2010	47.00	41.50
NOVEMBER 2010	47.70	34.00
DECEMBER 2010	45.90	36.40
JANUARY 2011	44.40	35.55
FEBRUARY 2011	40.90	31.00
MARCH 2011	35.55	31.00

ANNEXURE TO THE DIRECTOR'S REPORT (Contd...)

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, 4th Cross, Sampige Road,
Malleswaram, Bangalore 560 003.
Phone No.080-23460815-818 Fax: 080-23460819 E-Mail: 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, inter alia, 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.), Registrar and Share Transfer Agent 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 31st March 2011, 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 (Gol)	267468190	2674681900	92.87
Governor of Karnataka (GoK)	312500	3125000	0.11
General Public (Disinvested portion)	20219310	202193100	7.02
TOTAL	288000000	2880000000	100.00

15. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2011:

Sl.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	0.35	272953524	94.78
	TOTAL	44386	100.00	288000000	100.00

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 of telenetworks by 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, 2011. 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).

Opportunities and Threats:

ITI and its consortium partner Spanco Ltd implemented Orissa State Wide Area Network (OSWAN), a flagship project of Orissa Government under the National e-governance plan (NeGP). The project is valued at ₹69.80 Crores. This turnkey project includes supply, installation, commissioning and operation of State Wide Area Network on Build Own Operate Transfer (BOOT) basis for five years. Further, ITI has been awarded another SWAN project of Mizoram State.

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 made its entry into the power reforms sector by winning the prestigious order from Tamil Nadu Electricity Board (TNEB) for setting up of IT infrastructure for collection of baseline energy and revenue data of the identified towns and setting up of customer care center for covering the entire Restructured Accelerated Power Development Reforms Program (R-APDRP) Scheme. The order value is ₹307.27 Crores.

ITI has entered into agreement with Scalene Greenergy Corporation Limited, Bangalore, to produce and market high quality organic gas, known as Serigas, it can be connected to standard cooking gas stove and can be used for cooking and for other thermal applications for domestic use as well as for Captive power generation.

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:

- Intense competition due to 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.
- Low price realisation in telecom sector.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd..)

address Government of India Projects like 'Broadband to Panchyats' and Rural Connectivity

ITI has been exploring various options of introducing renewable energy Green Products like Fuel Cell Based Power Plants and Solar Panels for Powering telecom Towers.

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 exports.

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, 2011, your Company had a total strength of 10616 as compared to 11737 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 ₹ 2139 Crs. for the year ended 31st March, 2011, as compared to ₹4660 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 31st March, 2011.

For ITI LIMITED

Place : Bangalore
Date : 12.08.2011

sd/-
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, 2011 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
Date : 12.08.2011

sd/-
Ravi Khandelwal
Director-Finance

sd/-
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, 2011 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. As on 31st March 2011 the Company had Fourteen Directors. The Chairman of the Board is an Executive Director. The Board comprises of Seven Independent Directors. Hence the composition of the Board is in order.**
- 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 have to 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 to the future viability nor efficiency or effectiveness with which the management has conducted the affairs of the company.

For Karra and Co
Chartered Accountants

sd/-
R.Sivakumar
Partner
M. No. 019834
Firm Reg No. 001749S

Place : Delhi
Date : 12th August 2011

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 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

SIGNIFICANT ACCOUNTING POLICIES (Contd..)

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.

- 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.

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.

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 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

SIGNIFICANT ACCOUNTING POLICIES (Contd..)

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 31st March 2010 will be deferred, which will be written off in equal installments by 31st March 2011, including the year of incidence. Such expenditure incurred after 31st 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 KARRA & CO.
Chartered Accountant

sd/-
R.SIVAKUMAR
Partner
M.No.019834
Firm Reg No.: 001749S

sd/-
RACHANA CHOUDHARY
Company Secretary

sd/-
RAVI KHANDELWAL
Director – Finance

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

Place: Delhi
Date: 12.08.11

Balance Sheet as at 31st March, 2011

Rs. in Crores

	Schedule Number	As at 31st March 2011		As at 31st March 2010	
SOURCES OF FUNDS :					
Shareholders' Funds					
Share Capital	1.1	588.00		588.00	
Reserves and Surplus	1.2	5124.52		4974.61	
Grant-in-Aid	1.3	69.29	5781.81	74.81	5637.42
Loan Funds					
Secured Loans	2.1	343.32		258.52	
Unsecured Loans	2.2	0.00	343.32	19.69	278.21
			6125.13		5915.63
APPLICATION OF FUNDS:					
Fixed Assets					
Gross Block	3.1	3683.90		3681.16	
Less: Depreciation to Date		1136.23		1089.35	
Net Block		2547.67		2591.81	
Capital Work-in-Progress and Machinery in Transit	3.2	6.89	2554.56	1.33	2593.14
Investments	4.0		0.41		0.41
Current Assets, Loans and Advances					
Inventories	5.1	117.89		284.22	
Sundry Debtors	5.2	4978.83		4921.27	
Cash and Bank Balances	5.3	93.68		297.24	
		5190.40		5502.73	
Loans and Advances	5.4	315.81		333.13	
		5506.21		5835.86	
Less: Current Liabilities and Provisions					
Current Liabilities	6.1	5531.29		5774.75	
Provisions	6.2	379.96		361.48	
		5911.25		6136.23	
Net Current Assets			(405.04)		(300.37)
Profit and Loss Account	7.0		3975.20		3622.45
			6125.13		5915.63

Schedules 1.1 to 10 and Accounting policies annexed, form an integral part of Balance Sheet

As per our report of even date

For KARRA & CO.

Chartered Accountants

sd/-
R. SIVAKUMAR
 Partner
 M. NO. 019834
 Firm Reg No.: 001749S

sd/-
RACHANA CHOUDHARY
 Company Secretary

sd/-
RAVI KHANDELWAL
 Director-Finance

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

Place: Delhi
 Date : 12.08.11

Profit and Loss account for the year ended 31st March 2011

Rs. in Crores

	Schedule Number	For the year ended 31st March 2011	For the year ended 31st March 2010	
INCOME				
Sales		1825.03	4494.32	
Services		313.90	166.00	
Total Sales and Services		2138.93	4660.32	
Less : Excise Duty		39.87	64.20	4596.12
Interest earned	8.1	2.45		13.60
Other Income	8.2	70.00		45.21
Transfers from Grant-in-Aid	8.3	5.52		316.73
TOTAL		2177.03		4971.66
EXPENDITURE				
Consumption of Raw Materials and Production Stores	9.1	388.14		839.85
Purchase for Direct Sales		1273.96		3370.04
Installation & Maintenance Charges		190.11		46.92
Salaries, Wages & Bonus	9.2	298.57		285.63
Company's contribution to Provident Fund and Other Funds	9.3	72.80		248.30
Workmen and Staff Welfare Expenses	9.4	17.38		23.77
Voluntary Retirement Payments	9.5	0.77		0.98
Depreciation	9.6	47.36	49.65	
Less: Transfer from Revaluation Reserve		25.09	25.34	24.31
Financing Expenses	9.7	79.64		119.24
Manufacturing Expenses	9.8	65.37		240.51
Administration Expenses	9.9	38.08		164.66
Selling Expenses	9.10	4.25		8.38
Total		2451.34*		5372.59
Less: Transfer to Capital Account	9.11	0.00	0.01	
Accretion/(Decretion) to :				
Work-in-Process	9.12	(13.98)	(11.53)	
Manufactured Components	9.13	(5.52)	(17.09)	
Stock-in-Trade	9.14	(67.25)	(1.48)	(30.09)
Cost of Sales for the year		2538.09		5402.68
Profit before Tax for the year		(361.06)		(431.02)
Prior Period adjustments (net)	9.15	3.31		(27.74)
Profit before Tax		(357.75)		(458.76)
Less: Provision for Taxation				
- Fringe Benefit Tax		0.00		0.00
Profit after Tax		(357.75)		(458.76)

* Includes expenditure on Research & Development Rs.19.01 Crores (Previous year Rs.24.39 Crores) under various heads

Profit and Loss account for the year ended 31st March 2011 (Contd..)
Rs. in Crores

	Schedule Number	For the year ended 31st March 2011	For the year ended 31st March 2010
APPROPRIATIONS			
Profit/(Loss) available after appropriation		(357.75)	(458.76)
Less Tax on Dividend			
Transfer from Investment Allowance Reserve		0.00	0.00
Net Balance carried to Balance Sheet		(357.75)	(458.76)
Basic and Diluted Earning Per Share (in Rs.)		(13.35)	(16.85)

Schedules 1.1 to 10 and Accounting policies annexed, form an integral part of Profit & Loss Account

As per our report of even date

For KARRA & CO.

Chartered Accountants

sd/-
R. SIVAKUMAR
 Partner
 M. NO. 019834
 Firm Reg No.: 001749S

sd/-
RACHANA CHOUDHARY
 Company Secretary

sd/-
RAVI KHANDELWAL
 Director-Finance

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

Place: Delhi
 Date : 12.08.11

SCHEDULES TO THE BALANCE SHEET

Rs. in Crores

	As at 31st March 2011	As at 31st March 2010
SCHEDULE 1.1		
SHARE CAPITAL		
Authorised		
30,00,00,000 equity shares of Rs.10 each	300.00	300.00
4,00,00,000 Preference Shares of Rs. 100 each	400.00	400.00
	<u>700.00</u>	<u>700.00</u>
Issued, Subscribed and Paid-up *		
28,80,00,000 equity shares of Rs.10 each (of which 9,00,640 shares allotted for consideration other than cash)	288.00	288.00
1,00,00,000 8.75% Cumulative Redeemable Preference Shares of Rs. 100 each, redeemable at par in 5 equal instalments from March 2005	100.00	100.00
2,00,00,000 7.00% Cumulative Redeemable Preference Shares of Rs. 100 each, redeemable at par in 5 equal instalments from March 2006, with call option to BSNL after expiry of one year from the date of investment 31.3.2003.	200.00	200.00
	<u>588.00</u>	<u>588.00</u>
* Government of India has disinvested 7% of the Equity shares to Financial Institutions,Banks,Mutual Funds and Employees		
SCHEDULE 1.2		
RESERVES AND SURPLUS		
Capital Reserves		
Free Land gifted	0.25	0.25
Free Equipment gifted-Opening Balance as per last Balance Sheet	8.12	9.06
Less:- Transfer to P&L Account	0.94	0.94
Closing Balance	7.18	8.12
As per last Balance Sheet	2509.00	0.00
Transfer from Grant-in-aid (Capital)	180.00	2509.00
Closing Balance	<u>2689.00</u>	<u>2509.00</u>
Share Premium	0.30	0.30
Revaluation Reserves-Land	2276.11	2276.37
Less: Reversal on sale of land	0.00	0.26
Revaluation Reserves-Buildings	<u>2276.11</u>	<u>2276.11</u>
Opening Balance as per last Balance sheet	171.95	196.35
Less:- Transfer to P&L Account	24.15	24.40
Closing Balance	<u>147.80</u>	<u>171.95</u>
General Reserve		
As per last Balance Sheet	0.00	0.00
Add: Transfer from Bonds Redemption Reserve	5.00	54.90
Add: Transfer from Other Income	0.00	0.11
	<u>5.00</u>	<u>55.01</u>
Less: Transfer to Profit & Loss a/c (Debit Balance)	5.00	55.01
Profit on Sale of Fixed Assets	<u>0.00</u>	<u>0.00</u>
As per last Balance Sheet	1.67	1.67
Sale of Technical know-how	0.04	0.04
Industrial Housing Subsidy	0.07	0.07
Bonds Redemption Reserve		
As per last Balance Sheet	7.10	62.00
Less: Transfer to General Reserve	5.00	54.90
	<u>2.10</u>	<u>7.10</u>
TOTAL RESERVES AND SURPLUS	<u>5124.52</u>	<u>4974.61</u>

SCHEDULES TO THE BALANCE SHEET (Contd..)

Rs. in Crores

	As at 31st March 2011	As at 31st March 2010
SCHEDULE 1.3		
GRANT-IN-AID		
Grant-in-aid (Capital) :		
As per last Balance Sheet	26.61	31.36
Add:Receipts during the year	180.00	2509.00
	<u>206.61</u>	<u>2540.36</u>
Less:Transfer to Capital Reserves	180.00	2509.00
Less:Transfer to Profit & Loss Account	4.75	4.75
Net Total	<u>21.86</u>	26.61
Grant-in-aid (Revenue)		
As per last Balance Sheet	48.20	49.18
Add : Receipts during the year	0.00	311.00
	<u>48.20</u>	<u>360.18</u>
Less:Transfer to Profit & Loss Account	0.77	311.98
	<u>47.43</u>	48.20
Total Grant-in-Aid	<u>69.29</u>	<u>74.81</u>
SCHEDULE 2.1		
SECURED LOANS		
Cash credit from State Bank of India and other members of the consortium of banks against hypothecation of stocks, stores & raw materials, debts & advances & secondcharge on all Fixed Assets both movable & immovable except Fixed Assets at Raebareli and third charge on fixed assets both movable & immovable at Raebareli		
Limit Rs.845 Crores (Previous Year Rs. 845 Crores)	341.04	251.24
Interest Accrued and due on Bonds	0.00	0.18
SECURED LOANS - GOVT. GUARANTEE EXPIRED		
'I' SERIES OF RS.5,00,000/- EACH:-		
-G SEC + 55 BPS ISSUED IN MARCH'2003 REDEEMABLE AT PAR IN MARCH 2008	0.00	5.00
'I' SERIES OF RS.10,00,000/- EACH:-		
6.40% ISSUED IN MARCH'2004 REDEEMABLE AT PAR IN MARCH 2009	2.10	2.10
(with put/call option after 3 years from the date of allotment.)		
Interest Accrued and due on Bonds	0.18	0.00
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 bondholders. Charges are created in favour of Canara Bank as agents and trustees of Bond holders.	<u>343.32</u>	<u>258.52</u>
SCHEDULE 2.2		
UNSECURED LOANS		
Interest Accrued and due	0.00	19.69
	<u>0.00</u>	<u>19.69</u>

SCHEDULE TO THE BALANCE SHEET (contd..)

SCHEDULE - 3.1

FIXED ASSETS

PARTICULARS	GROSS BLOCK AT COST					
	AS ON 31.03.2010	ADDITIONS DURING THE YEAR	ASSET RE- VALUED	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	AS ON 31.03.2011
	1	2	3	4	5	6=1+2+3-4-5
A FIXED ASSETS						
LAND						
- FREE HOLD	2286.10	0.00	0.00	0.00	0.00	2286.10 *
- LEASE HOLD	1.43	0.00	0.00	0.00	0.00	1.43 ****
LAND DEVELOPMENT EXPENSES	0.21	0.00	0.00	0.00	0.00	0.21
BUILDING	529.22	0.28	0.00	0.00	0.00	529.50 **
PLANT,MACHINERY & EQUIPMENTS	781.59	2.46	0.00	0.00	0.00	784.05 ***
OFFICE M/C & EQPT	24.58	0.08	0.00	0.03	0.00	24.63
FURNITURE FIXTURE & FITTINGS	19.70	0.04	0.00	0.00	0.00	19.74
VEHICLES	9.10	0.30	0.00	0.38	0.00	9.01
ASSETS GIVEN ON LEASE	0.08	0.00	0.00	0.00	0.00	0.08
B. INTANGIBLE ASSETS						
INTERNALLY GENERATED						
TECHNICAL KNOWHOW	0.00	0.00	0.00	0.00	0.00	0.00
PROJECT DEV EXP	13.47	0.00	0.00	0.00	0.00	13.47
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00
EXTERNALLY GENERATED						
TECHNICAL KNOWHOW	15.68	0.00	0.00	0.00	0.00	15.68
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	3681.16	3.16	0.00	0.42	0.00	3683.90
PREVIOUS YEAR	3678.61	2.87	0.00	0.32	0.00	3681.16

*i) Includes Rs 0.25 Crores 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 Telecommunications 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 10.00 crores and written down value of Rs.10.00 crores have been revalued at Rs. 2286.37 crores, resulting in an increase in value by Rs 2276.37 crores.

iii) a) KPTCL is in possession of 5 acres of land and not revalued.

b) 12.15 acres of land sold to BMTCL not revalued. Out of which 8.22 acres already in possession of BMTCL for which Govt. approval is awaited.

c) National Highway has acquired 1.375 acres of land for road widening but the compensation is yet to be finalised.

Rs. in Crores

DEPRECIATION					NET BLOCK	
UPTO 31.03.2010	FOR THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	AS ON 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
7	8	9	10	11=7+8-9-10	12=6-11	13
0.00	0.00	0.00	0.00	0.00	2286.10	2286.10
0.23	0.00	0.00	0.00	0.23	1.20	1.20
0.21	0.00	0.00	0.00	0.21	0.00	0.00
324.59	27.00	0.00	0.00	351.59	177.91	204.63
692.29	17.89	0.00	0.00	710.18	73.88	89.31
23.44	0.33	0.03	0.00	23.74	0.89	1.14
18.33	0.41	0.00	0.00	18.74	1.00	1.37
8.88	0.09	0.38	0.00	8.59	0.42	0.22
0.08	0.00	0.00	0.00	0.08	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
13.47	0.00	0.00	0.00	13.47	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.84	1.57	0.00	0.00	9.41	6.27	7.84
0.00	0.00	0.00	0.00	0.00	0.00	0.00
1089.35	47.29	0.41	0.00	1136.23	2547.67	2591.81
1039.60	49.53	0.05	(0.27)	1089.35	2591.81	2639.01

d) 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 Rs 152.77 crores and written down value of Rs 46.31 crores have been revalued at Rs. 423.88 crores, resulting in an increase in value by Rs. 377.57 crores.

***i) Includes Rs 0.85 Crores of plant & machinery given free of cost by UNIDO.

ii) Includes Rs 0.60 Crores of plant & machinery cost of which is borne by Ministry of Information Technology.

iii) Includes cost of fixed assets worth 50.00 Crores procured out of Grant received from Government of India during 2004-05

iv) includes Rs.9.37 crores of plant, machinery and Equipments received free of cost by Rae Bareilly unit.

**** Includes Rs.0.27 Crores payment made to J&K Govt for which lease deed proceedings are in process

Notes : (i) There is a charge of Rs 0.07 Crores on 400 D and 624 E type quarters in favour of Govt. of Karnataka towards subsidy received in terms of Subsidised Industrial Housing Scheme.

(ii) Factory building is on the leased land, for which extension for lease is under process with J&K Government.

SCHEDULES TO THE BALANCE SHEET (Contd..)

Rs. in Crores

	As at 31st March 2011		As at 31st March 2010	
SCHEDULE 3.2				
CAPITAL WORK-IN-PROGRESS				
Capital Work-in-Progress at Cost	1.39		1.75	
Less: Provision	1.14	0.25	1.14	0.61
Materials with Contractors	0.29		0.29	
Less: Provision	0.29	0.00	0.29	0.00
Machinery at Cost				
In-Transit	0.07		0.07	
Awaiting Acceptance / Installation	6.58		0.65	
Total	6.65		0.72	
Less:Provision	0.07		0.07	
		6.58		0.65
Advances for Civil Works / Capital Goods	0.36		0.37	
Less: Provision	0.30		0.30	
		0.06		0.07
		6.89		1.33
SCHEDULE 4				
INVESTMENTS				
Fully Paid at Cost(Unquoted)				
1621800 Equity Shares of Rs.10/- each fully paid up in India Satcom Limited including 1216350 Bonus Shares		0.41		0.41
		0.41		0.41

SCHEDULES TO THE BALANCE SHEET (Contd..)

Rs. in Crores

	As at 31st March 2011		As at 31st March 2010	
SCHEDULE 5.1				
INVENTORIES				
(Valued as per Accounting Policy No.3.00)				
Stocks & Stores as taken and certified by Management				
Raw material and Production Stores	65.40		98.73	
Less: Provision for Obsolescence	17.24	48.16	17.91	80.82
Material issued against Fabrication Contracts	1.01		1.01	
Less: Provision	0.95	0.06	0.95	0.06
Non-Production Stores	9.36		9.72	
Less: Provision for Obsolescence	3.16	6.20	2.71	7.01
Work-in-Process Production	31.75		51.44	
Less: Provision	2.74	29.01	7.58	43.86
Manufactured Components	12.97		18.49	
Less: Provision	0.48	12.49	0.34	18.15
Stock-in-Trade (includes Rs.0.66 Crores, items despatched to customers awaiting billing 'Previous year Rs 40.07 Crores)	16.24		87.23	
Excise Duty thereon	1.25		5.50	
Less: Provision	17.49	7.04	92.73	78.68
Stock Reconciliation Account	0.66		0.07	
Less: Provision	0.66	0.00	0.07	0.00
Goods Pending Inspection / Acceptance		2.38		36.05
Material-in-Transit Advances				
Considered Good	12.54		19.32	
Considered Doubtful	0.82		0.82	
Less: Provision	13.36	12.54	20.14	19.32
Material received and In-Transit Advances payable as per contra in Schedule 6.1		0.00		0.22
Tools and Gauges		0.01		0.05
		117.89		284.22

SCHEDULES TO THE BALANCE SHEET (Contd..)

Rs. in Crores

	As at 31st March 2011	As at 31st March 2010	
SCHEDULE 5.2			
SUNDRY DEBTORS			
Unsecured			
Outstanding over six months			
Considered Good	3885.29	3083.36	
Considered Doubtful	61.31	59.04	
	<u>3946.60</u>	<u>3142.40</u>	
Other Debts Considered Good	1093.54	1837.91	
	<u>5040.14</u>	<u>4980.31</u>	
Less:Provision	61.31	59.04	
	<u>4978.83</u>	<u>4921.27</u>	
SCHEDULE 5.3			
CASH AND BANK BALANCES			
Cash-in-Transit	0.91	0.04	
Cash, Cheques & Stamps on Hand	1.54	1.33	
Balance with Scheduled Banks			
On Current Account	18.55	119.67	
On Current Account (Apprentices)	0.02	0.03	
On Savings Account(Apprentices Security Deposits)	0.08	1.33	
On Short Term deposit (Margin Money)	8.48	21.44	
On Current Account (Margin Money)	58.01	0.31	
On Fixed Deposit Account	6.09	153.09	
	<u>93.68</u>	<u>297.24</u>	
SCHEDULE 5.4			
LOANS AND ADVANCES			
Unsecured Advances recoverable in cash or in kind or for value to be received			
Considered Good	93.96	88.29	
Considered Doubtful	12.92	12.90	
	<u>106.88</u>	<u>101.19</u>	
Less: Provision	12.92	12.90	88.29
Claims and Expenses Recoverable - Inland			
Considered Good	152.94	163.18	
Considered Doubtful	2.88	2.88	
	<u>155.82</u>	<u>166.06</u>	
Less: Provision	2.88	2.88	163.18
Claims and expenses recoverable - Foreign			
Considered good	11.33	14.25	
Considered doubtful	11.81	11.81	
	<u>23.14</u>	<u>26.06</u>	
Less: Provision	11.81	11.81	14.25
Payment of Advance tax (Net of refunds)	0.23		0.37
Interest accrued but not due On Short Term Deposits	1.21		4.72
Secured advances			
House building	0.02		0.03
Deposits with Customs Department	0.29		0.31
Deposits with Excise Authorities	33.37		43.43
Other Deposits (includes Rs.0.02 Crores of National Saving Certificates, Rs. Nil crores of Savings Bank account with Tresury and Post Office. Previous year Rs. 0.02 Crores and Rs. Nil Crores)	25.02	21.11	
Less: Provision	2.56	2.56	18.55
	<u>315.81</u>	<u>333.13</u>	

SCHEDULES TO THE BALANCE SHEET (Contd..)

Rs. in Crores

	As at 31st March 2011		As at 31st March 2010	
SCHEDULE 6.1				
CURRENT LIABILITIES				
Sundry Creditors:				
For goods supplied			0.09	3429.37
- Micro, Small and Medium Enterprises	0.08	2942.44	<u>3429.28</u>	<u>3429.37</u>
- Others	2942.36			
For Expenses and Services		559.76		304.56
For Other Liabilities (including Excise Duty on Stock-in-trade Rs.10.15 Crs, P. Y Rs.1.86 crs)		370.52		524.26
For goods received and in transit advance as per contra in Schedule 5.1		0.00		0.22
Advances from Customers		1619.69		1488.10
Unclaimed Dividend		0.14		0.14
Interest accrued but not due on Loans		0.00		0.02
Apprentices Security Deposit		0.08		0.08
Deposits from Contractors		38.66		28.00
		5531.29		<u>5774.75</u>
SCHEDULE 6.2				
PROVISIONS				
For Taxation				
As per last Balance Sheet	0.54		0.54	
Add: Provisions during the year	0.00		<u>0.00</u>	
	0.54		<u>0.54</u>	
Less: Adjustments of provisions relating to earlier years	0.00		<u>0.00</u>	
		0.54		0.54
For Gratuity				
As per Last Balance Sheet	185.74		107.67	
Add: Provision for the year	22.54		<u>156.80</u>	
	208.28		<u>264.47</u>	
Less: Transfer to Gratuity Trust	0.00		<u>78.00</u>	
	208.28		<u>186.47</u>	
Add: Transfer from gratuity trust	25.16		<u>22.69</u>	
	233.44		<u>209.16</u>	
Less: Payments	27.31	206.13	<u>23.42</u>	185.74
For Privilege Leave				
As per Last Balance Sheet	162.12		120.56	
Add: Provision for the year	17.40		<u>58.63</u>	
	179.52		<u>179.19</u>	
Less: Payments	17.55	161.97	<u>17.07</u>	162.12
For Sick Leave				
As per Last Balance Sheet	4.97		3.57	
Add: Provision for the year	(0.57)		<u>1.40</u>	
	4.40		<u>4.97</u>	
Less: Payments	0.00	4.40	<u>0.00</u>	4.97
For Leave Travel Concession				
As per Last Balance Sheet	8.11		0.49	
Add: Provision for the year	0.67		<u>9.20</u>	
	8.78		<u>9.69</u>	
Less: Payments	1.85	6.93	<u>1.58</u>	8.11
		379.97		<u>361.48</u>
SCHEDULE 7.0				
PROFIT & LOSS ACCOUNT (DR)				
As per last Balance sheet		3622.45		3218.70
Less: Transfer from General Reserve		(5.00)		(55.01)
Add: Loss for the Year		357.75		<u>458.76</u>
		3975.20		<u>3622.45</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Rs. in Crores

	For the year ended 31st March 2011	For the year ended 31st March 2010
SCHEDULE 8.1		
INTEREST EARNED		
Interest - Others(Includes Rs.NIL Crores towards interest on non trading investments.Previous year Rs.NIL crores)	2.45	13.60
	<u>2.45</u>	<u>13.60</u>
SCHEDULE 8.2		
OTHER INCOME		
Profit on sale of assets	0.20	0.16
Rent	21.32	19.94
Transport Charges	0.25	0.24
Sale of Scrap	0.60	0.90
Water / Electricity Charges	1.31	1.20
Excess Provision Withdrawn	1.34	5.84
Withdrawal of liability no longer required	13.42	2.04
Compensation of Srinagar Unit loss	5.39	7.11
Waiver of Liquidated Damages by MTNL	19.32	0.00
Waiver of Interest Charges	4.80	0.00
Miscellaneous Income	2.05	7.78
	<u>70.00</u>	<u>45.21</u>
SCHEDULE 8.3		
TRANSFER FROM GRANT-IN-AID		
Revenue Grant-in-Aid received from Govt. of India:		
- For VRS	0.77	0.98
- For Others	0.00	311.00
Capital Grant-in-Aid	4.75	4.75
	<u>5.52</u>	<u>316.73</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd..)

Rs. in Crores

	As at 31st March 2011	As at 31st March 2010
SCHEDULE 9.1		
CONSUMPTION OF RAW MATERIAL AND PRODUCTION STORES		
Opening Stock	99.74	157.36
Purchases	<u>359.13</u>	<u>791.28</u>
	(A)	948.64
Closing Stock	66.41	99.74
Issues to revenue and others	<u>4.02</u>	<u>6.17</u>
	(B)	105.91
Consumption (A) - (B)	<u>388.44</u>	<u>842.73</u>
Add: Stores indirect expenses relating to Raw material and production stores	<u>(0.30)</u>	<u>(2.88)</u>
CONSUMPTION	<u>388.14</u>	<u>839.85</u>
SCHEDULE 9.2		
SALARIES, WAGES AND BONUS		
Salaries, Wages and Bonus	<u>298.57</u>	<u>285.63</u>
	<u>298.57</u>	<u>285.63</u>
SCHEDULE 9.3		
COMPANY'S CONTRIBUTION TO PROVIDENT FUND AND OTHER FUNDS		
Provident Fund and Pension Fund	32.98	31.35
Employees State Insurance	0.19	0.01
Gratuity Trust Fund	22.54	156.80
Privilege Leave	17.40	58.63
Deposit linked Insurance / Group Insurance	0.26	0.11
Sick Leave	<u>(0.57)</u>	<u>1.40</u>
	<u>72.80</u>	<u>248.30</u>
SCHEDULE 9.4		
WORKMEN & STAFF WELFARE EXPENSES		
Canteen	2.93	2.74
Education	2.19	2.17
Medical Expenses	9.38	8.75
LTC / LLTC	0.67	9.20
Uniforms	1.39	0.03
Others	<u>0.82</u>	<u>0.88</u>
	<u>17.38</u>	<u>23.77</u>
SCHEDULE 9.5		
VOLUNTARY RETIREMENT SCHEME		
VRS payments	<u>0.77</u>	<u>0.98</u>
SCHEDULE 9.6		
DEPRECIATION		
Fixed Assets	47.29	49.53
Tools and Gauges	<u>0.07</u>	<u>0.12</u>
	<u>47.36</u>	<u>49.65</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd..)

Rs. in Crores

	As at 31st March 2011	As at 31st March 2010
SCHEDULE 9.7		
FINANCING EXPENSES		
INTEREST		
Cash credit	53.54	38.11
Others	21.41	71.45
	<u>74.95</u>	<u>109.56</u>
Bank charges	4.69	9.68
	<u>79.64</u>	<u>119.24</u>
SCHEDULE 9.8		
MANUFACTURING EXPENSES		
Consumption of Stores & Spares	3.24	4.34
Power & Light	21.97	20.57
Water charges	1.80	2.33
Repairs & Maintenance		
-Plant , Machinery & equipments	1.91	2.07
-Vehicles	0.62	0.72
-buildings	4.81	4.64
-other equipments	2.50	2.21
Cost & Exp. On Tools	0.26	0.28
Experimental. Work & Training. Exp.	0.30	0.07
Exps. On Minor Equpts. & Work	0.11	0.03
Royalty	0.14	0.20
Scrap & Salvage	0.03	0.24
Factory Expenses	1.68	1.61
Liquidated Damages	34.50	260.55
Demurrage charges	0.31	1.04
Exchange Variation	(8.81)	(60.39)
	<u>65.37</u>	<u>240.51</u>
SCHEDULE 9.9		
ADMINISTRATION EXPENSES		
Rent	3.27	3.32
Rates & Taxes	0.93	0.99
Insurance	1.05	1.42
Travelling Expenses		
- Inland	7.40	8.20
- Foreign	0.00	0.01
Legal Fee	0.30	0.48
Postage, Telegram & Telex expenses	0.59	0.69
Telephone & Trunk Call charges	1.42	1.57
Remuneration to Auditors		
- Audit Fees	0.04	0.03
- Out of Pocket Expenses	0.00	0.00
- Other Capacities	0.02	0.02
Security expenses	4.87	4.23
Printing, Stationery & Duplicating expenses	1.13	0.89
Transport	6.29	6.70
Newspapers, Magazines and Periodicals	0.31	0.35
Mechanised Accounting Exps	0.00	0.38
Licence Fee/ Segment charges	0.05	0.24
Office expenses	3.98	3.96
Provision. For obsolescence of RM Stores	2.31	5.10
Obsolete RM & Prodn. Stores Write off	1.27	18.97
Capital WIP Write off	0.00	0.01
Provision For Drs/Adv	2.68	73.75
Bad Debts Write off	0.00	31.68
Claims and Expenses charge off	0.00	0.06
Irrecoverable ED	0.17	1.61
	<u>38.08</u>	<u>164.66</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd..)

Rs. in Crores

	As at 31st March 2011		As at 31st March 2010	
SCHEDULE 9.10				
SELLING EXPENSES				
Selling Agency Commission		0.04		0.07
Advertisement Exps.		0.23		0.25
Exhibition & Publicity Exps.		0.21		0.12
Packing Expenses		1.82		2.74
Forwarding Expenses		0.75		2.74
Warranty Expenses		1.14		2.40
Sales Promotion Expenses		0.01		0.01
Entertainment Expenses		(0.01)		0.00
Cost of Tender forms		0.06		0.05
		<u>4.25</u>		<u>8.38</u>
SCHEDULE 9.11				
TRANSFER TO CAPITAL ACCOUNT				
CAPITAL WIP:				
Transfer to Cap. Account - Other Assets		0.00		0.01
		<u>0.00</u>		<u>0.01</u>
SCHEDULE 9.12				
ACCRETION /(DECRETION) TO WORK IN PROCESS				
Work-in-Process--Production				
Closing Balance		31.75		51.44
Opening Balance		51.44	(19.69)	63.07
ADD: WRITE OFF DURING THE YEAR			5.71	0.10
Work-in-Process--Installation				
Closing Balance		0.00		0.00
Opening Balance		0.00	0.00	0.00
			<u>(13.98)</u>	<u>(11.53)</u>
SCHEDULE 9.13				
ACCRETION /(DECRETION) TO MANUFACTURED COMPONENTS				
Manufactured Components				
Closing balance		12.97		18.49
Opening balance		18.49	(5.52)	38.09
ADD: WRITE OFF DURING THE YEAR			0.00	2.51
			<u>(5.52)</u>	<u>(17.09)</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd..)

Rs. in Crores

	As at 31st March 2011		As at 31st March 2010	
SCHEDULE 9.14				
ACCRETION /(DECRETION) TO STOCK-IN-TRADE				
Stock-in Trade				
Closing balance	16.24		87.23	
Opening balance	87.23	(70.99)	102.91	(15.68)
		(70.99)		(15.68)
ADD: WRITE OFF DURING THE YEAR		3.74		14.20
		(67.25)		(1.48)
SCHEDULE 9.15				
PRIOR PERIOD ADJUSTMENTS (NET)				
INCOME				
Sales & Services		2.64		(2.41)
Interest		0.00		(0.59)
Others		0.18		0.00
		2.82		(3.00)
EXPENDITURE				
Consumption of raw material and production stores		0.00		22.66
Liquidated Damages		0.00		1.89
Others		(0.49)		0.19
		(0.49)		24.74
Net prior period Adjustments		3.31		(27.74)

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
SCHEDULE 10			
NOTES ON ACCOUNTS			
1.	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 not ascertainable Where firm rates for sales are not established accounting for refund/adjustment of Excise Duty/Sales Tax is on provisional basis.	38.55	12.41
2.	Compensation to employees of the company opted for Voluntary Retirement during 2010-11 have been fully charged off to the Profit & Loss account, consequent upon the receipt of Grant from Government.	0.77	0.98
3.	Insurance and Customs duty claims are accounted as and when the claims are accepted by the respective authorities.	0.00	0.01
4.	Dividend in respect of following class of Cumulative Redeemable Preference Shares are in arrears as detailed below: -		
a)	On 8.75% Cumulative Preference Shares from 2002-03	78.75	70.00
b)	On 7.00% Cumulative Preference Shares from 2003-04 (The figures indicated are excluding Dividend Distribution Tax)	112.00	98.00
5.	Execution and registration of sale deed for assets sold to DRDO for Rs. 26 Crores during 2003-2004 is under process consequent to the receipt of Ministry approval.		
6.	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 Rs. 165 Crs. This amount has been included in the Draft Rehabilitation Scheme(DRS) submitted to BIFR.		
7.	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 on our premises leased out to them. The issue is under correspondence/discussions with DoT and C-DoT.		
8.	In case of back to back arrangements, Liquidated damages is accounted on net basis.		
9.	Deposits, fallen due and not claimed for refunds, is shown as current liabilities as at 31.03.2011.	0.24	0.24

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd..)****10 Details of Provisions**

Particulars	Taxation	Gratuity	Privilege Leave Salary	Sick Leave	LTC/LLTC	Debtors	Capital WIP	Inventory	Loans & Advances	Claims	Warranty
Opening Balance as at 1.4.2010	0.54	185.74	162.12	4.97	8.11	59.04	1.79	44.36	15.46	14.69	8.57
Add:- Provisions During the Year	0.00	22.54	17.40	-0.57	0.67	2.65	0.00	2.31	0.02	0.00	1.14
Less:- Write Off against provisions	0.00	0.00	0.00	0.00	0.00	0.04	0.00	9.84	0.00	0.00	0.00
Less:- Withdrawal/ utilisation of Prov.	0.00	2.15	17.55	0.00	1.85	0.34	0.00	0.98	0.00	0.00	3.91
Closing Balance as at 31.3.2011	0.54	206.13	161.97	4.40	6.93	61.31	1.79	35.85	15.48	14.69	5.80

- 11 Redemption installments in respect of the following Cumiulative Redeemable Preference shares issued by the company have not been paid on due dates on account of fund constraints
- a. Redemption installments due on 31st March 2005 to 31st March 2009 in respect of 8.75 % Preference Shares of Rs.100 crores 100.00 100.00
- b. Redemption installments due on 31 st March 2006 to 31st March 2010 in respect of 7% Preference Shares of Rs.200 crores 200.00 200.00
- 12 A list of micro, small and medium enterprises to whom the Company owe any sum together with interest outstanding for more than 30 days to the extent identified.
- i. Crystalonics Displays (P) Ltd. Bangalore
 - ii. Fasteners & Industrial Components Bangalore
 - iii. Latha Plastronics Bangalore
 - iv M R Engineers Bangalore
 - v Maruthi Rubber Products Bangalore
 - vi Protectron Electromech (P) Ltd. Bangalore
 - vii S K Electronics Industries Bangalore
 - viii Sri Kumar Packing Products Bangalore
 - ix Sri Shakti Industries Bangalore
 - x Udaya Insulated Cable Co. Bangalore
 - xi Universal Agencies Bangalore
 - xii Woody Industries Kerala
- 13 Balances in the accounts of creditors, debtors, advances from customers, some bank accounts, Claims recoverable, loans and advances, materials with fabricators, sub-contractors/others, material in transit, deposits, Loans, Creditors, Sales Tax, VAT, Excise Duty, Cenvat, Service Tax are under confirmation/reconciliation
- 14 Claims and expenses recoverable - inland- schedule 5.04 includes Rs.16.72 Crores 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.
- 15 Inventory of Pallakad unit includes an amount of Rs. 2.04 lakhs pending in Stock Correction Suspense Account as on 31.03.2011, the material is not physically held by the Unit but sent to different suppliers for rectification/replacement.
- 16 Debtors and Security Deposit of NSU includes Rs.83.64 Lakhs and Rs.4 Lakhs respectively due from Central Railway. Arbitration proceedings are under progress for the settlement.
- 17 Cabinet Committee on Economic Affairs (CCEA) as a part of revival package approved financial assistance of Rs. 3000 crores to ITI, out of which Rs. 2820 crores was received by ITI in August 2009. The balance Rs.180 crores was received in March 2011 and the same been taken to Capital Reserve.

Rs.In Crores

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd..)			
18	With reference to Accounting Policy No. 6, Depreciation has been charged on Fixed Assets over their assessed useful life as under:		
	Fixed Assets	(Years)	
(i)	(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	
(ii)	Furniture & Fittings	10	
(iii)	Plant & Machinery		
	(a) General Rate (on double shift basis)	10	
	(b) Special Rate : - Data Processing Machines including Computers	6	
(iv)	Roads and compound Walls	10	
(v)	Office Machinery and Equipment	7	
(vi)	Vehicles	7	
(vii)	Assets costing less than Rs.5,000/- are depreciated @ 100%		
(viii)	However, in respect of assets having original cost of Rs.50,000/- and above, a residual balance of Rs.5/- has been retained in the books.		
19	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 Rs.25.09 Crores (Previous year 25.34 crores) 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.		
20	Construction/ Turnkey Contracts:		
	The company for the financial year 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	1517.90	3249.19
ii.	Aggregate amount of cost incurred upto reporting date	8162.43	6754.68
iii.	Profit (net of loss, if any) recognised upto reporting date	(891.61)	(759.82)
iv.	Amount of advance received	1504.58	1393.43
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	4178.81	3653.81
vii.	Contract Work-in-Progress as at 31st March 2011	0.00	0.00

Rs. In Crores

SI. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd..)			
21	DISCLOSURE REPORT UNDER AS15		
a.	AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES		
		Gratuity	PL
		SL	LLTC
	Present value of the obligation	408.98	161.97
	Fair value of plan assets	202.85	0.00
	Difference	206.13	161.97
	Liability recognized in the balance sheet	206.13	161.97
b.	EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT & LOSS	22.54	17.40
		(0.57)	0.67
22	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.		
23	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.		
		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	0.48
	- Due to the related party	0.00	0.00
	Provision for doubtful debts against dues from related party.	0.00	0.48
	Written Off during the Year	0.00	0.00
24	Remuneration paid to Key Management Personnel [As required under AS-18]		
	Shri. K.L.Dhingra - CMD - Salary and Perquisites (from 07.04.2010)	Rs. 955,009	Rs. -
	Shri. K.K. Khurana- Director (Human Resources) -Salary and Perquisites	Rs. 969,333	Rs. 977,920
	Shri Rajni Kumar Agarwal - Director (Marketing) - Salary and Perquisites	Rs. 981,699	Rs. 53,766
	Shri. B.P GUPTA - Director (Finance) - Salary and Perquisites (upto 31.01.2011)	Rs. 1,110,380	Rs. 982,259
	Shri. Ravi Khandelwal -Director (Finance) -Salary and Perquisites (from 05.03.2011)	Rs. 67,651	Rs. -
	Shri Ravi Agarwal- Director (Production) - Salary and Perquisites (upto 30.04.2010)	Rs. 80,228	Rs. 929,573
	Shri K.K.Gupta - Director (Production) - Salary and Perquisites (from 01.05.2010)	Rs. 972,455	Rs. -
	Shri Tejbir Singh Director - Salary and Perquisites (upto 31.01.2010)	Rs. -	Rs. 858,282
	Shri. S.K.Chatterjee-CMD - Salary and Perquisites (upto 31.03.2010)	Rs. -	Rs. 970,620

Rs.In Crores

SI. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd..)			
25	Earnings Per Share is computed as follows:		
a.	Profit/ (Loss) after Tax (Rs. Crores)	(357.75)	(458.76)
	Less: Preference Dividend	22.75	22.75
	Less: Dividend Distribution Tax incl. Surcharge & Ed. Cess	3.87	3.87
	Profit/ (Loss) available to Equity Shareholders (Numerator used for calculation)	(384.37)	(485.38)
b.	Number of Equity shares of Rs.10 each (Denominator used for calculation)	288000000	288000000
	Basic and Diluted Earnings per share (Rs.)	(13.35)	(16.85)
26	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"		
27	JOINT VENTURES:		
	The financial reporting of interests in Joint Ventures as per AS-27, the Joint Ventures of the company come under the category of Jointly controlled entities. The 2 Joint Ventures of the company are:		
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	-	ISL 9.69
	Aggregate amount of the liabilities	-	9.69
	Aggregate amount of the income	-	4.25
	Aggregate amount of the expenses	-	5.03

(The above figures does not include ITI-C, Singapore since it is in the process of liquidation.)

(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 2010-11 are yet to be finalised).

Rs.In Crores

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd..)			
28	The Government has communicated vide its letter dated 28.01.2011 that ITI may cancel the proposal of sale of its shares(1621800 Nos) in ISL to M/s Chris Tech Systems Private Limited. Consequently, the consideration amount of Rs.3 crores deposited in ESCROW account has since been released.		
29	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.00	0.01
30	Contingent Liability in respect of		
	- Outstanding letters of credit & guarantees	265.12	484.05
	- Sales Tax demand /Service Tax	33.58	41.11
	- Non receipt of C/D forms	72.40	130.30
	- Disputed Excise Duty Demand/CENVAT Disallowance	41.72	80.77
	- ESI demand	0.94	0.98
	- Demand of interest & penalty by KVAT	4.45	4.32
	- Claims against the Company not acknowledged as debts	70.29	68.90
31	Audit Fees -	Rs.In Lakhs	Rs.In Lakhs
	(i) Statutory Audit Fees	3.50	3.34
	(ii) Tax-Audit Fees	0.60	0.60
	(iii) Out of Pocket Expenses for Tax-Audit	0.11	0.08
	(iv) Certificate fees	1.34	1.57
		<u>5.55</u>	<u>5.59</u>
32	Remuneration to CMD and Wholetime Directors		
	No of Directors	7	6
	Salaries and Allowances	Rs. 4,262,316	3,870,967
	Contribution to PF etc.	Rs. 445,633	405,615
	Perquisites	Rs. 428,807	495,838
	TOTAL	<u>Rs. 5,136,756</u>	<u>4,772,420</u>
33	Particulars of Turnover[incl. Excise Duty]		
	Electronic Switching Equipment	188.45	2796.70
	Telephone/ Terminal Instruments	8.68	21.27
	Transmission Equipments	210.22	239.24
	Defence Equipments/ Services	43.34	149.68
	Misc. Products & Services	275.04	212.91
	GSM	1413.20	1240.52
	TOTAL	<u>2138.93</u>	<u>4660.32</u>
34	Other Income being compensation relating to Srinagar unit losses for the year 2010-11 awaiting reimbursement from Ministry of Communications.	5.39	6.18

Rs.In Crores

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd..)**

35	Opening and Closing Stock of Goods Produced.	Opening Stock	Closing Stock	Opening Stock	Closing Stock
		Rs.Crores	Rs.Crores	Rs. Crores	Rs.Crores
	Electronic Switching Exchange	5	0	15	5
	Telephone Instruments & Components	2	2	2	2
	Transmission Equipment	48	7	70	48
	GSM	26	0	0	26
	Regional Office Stock	7	7	16	7
		88	16	103	88

- 36 Licenced / Installed Capacity
a. Licensed capacity- Not Applicable
b. Installed Capacity:-

PRODUCT	ACCTG UNIT	INSTALLED CAPACITY	INSTALLED CAPACITY
SWITCHING PRODUCTS			
OCB 283-LOCAL	KL	1000.00	1000.00
OCB-TAX/ TANDEM	KC	500.00	500.00
C-DOT Exchanges	KL	2600.00	2600.00
SMPS	Rs Crs	125.00	125.00
Transmission Products	NOS	3500.00	3500.00
Optic Fibre SDH			
Terminal Equipments			
Telephones	M NOS	1.20	1.20
Solar Panel	NOS	30000.00	30000.00
New Products			
WLL-INFRA	KL	PROJECT STAGE	PROJECT STAGE
GSM-INFRA	KL	6 MILLION	6 MILLION
MLLN	Rs. Crs	PROJECT STAGE	PROJECT STAGE
SIM CARDS	NOS	10 MILLION	10 MILLION
DWDM	NOS	PROJECT STAGE	PROJECT STAGE
DLC-SDH	NOS	PROJECT STAGE	PROJECT STAGE
CDMA-WLL TML/FWT	K Nos	PROJECT STAGE	PROJECT STAGE
ADSL-DSLAM	NOS	PROJECT STAGE	PROJECT STAGE
IPTAX	NOS	PROJECT STAGE	PROJECT STAGE
SSTP	NOS	PROJECT STAGE	PROJECT STAGE

Rs. In Crores

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd..)**

c. DISCLOSURE OF QUANTITATIVE DETAILS AS REQUIRED BY SCHEDULE VI, PART II OF COMPANIES ACT 1956

MANUFACTURED ITEMS

Products	QTY (Nos)	Value	Material Cost
GSM - WEST ZONE -BTS	BTS- 2371	191.19	158.88
	TRU-1483		
DWDM	Tml.-79	56.95	47.63
	OADM-95		
G - PoN	ONT-67817	119.98	112.48
	UPS-185768		
Various equipments/components of small value		114.86	69.15
Total		482.98	388.14

TRADED ITEMS

Products	QTY (Nos)	Value	Purchases
GSM - WEST ZONE	BSS Eqpt- 2.25MI Lines	736.49	724.90
GSM - SOUTH ZONE	VAS Eqpt-2.70 MI Lines	489.08	455.52
	BSS eqpt- 0.04 MI Lines		
Various equipments/components of small value		116.48	93.54
Total		1342.05	1273.96

SERVICES DETAILS

Products	Value
GSM SZ	104.00
WLL - CDMA/AMC/ Repairs/SSTP/ SMPS/MLLN/MNID Others	61.72
OCB - AMC	43.12
ASCON AMC	40.34
RO/CCO/IT/Misc	64.72
Total	313.90

Total Sales & Services-Rs.2138.93Crores, Total Material Cost- Rs. 388.14 crores and Total Purchases -Rs.1273.96crores

SCHEDULE OF STOCK-IN-TRADE AS ON 31.03.2011

Rs. In crores

Products	Quantity (Nos)	Value
3 CHANNEL SAX	196	1.39
4/36 MARR BSE	95	4.22
CORDLESS	4506	0.92
10 SYS. REPEATER/PCM MUX TTL/ PCM MUX VLSI/3 CHANNEL CP 7/2GHZ 2 MB/DSLAM /TELEPHONE/SOLAR PANNEL		1.97
Ros/Others		7.74
Total		16.24

Note: The disclosure of quantitative details for previous year was exempted by Ministry of Corporate Affairs vide their Order No. 46/95/2010-CL-III dated 18-05-2010.

Rs.In Crores

SI. No	SUBJECT IN BRIEF	Current Year 2010-11			Previous Year 2009-10	
SCHEDULE 10						
NOTES ON ACCOUNTS (Contd..)						
37	Information as required by the Para 4D of the Part II, Schedule VI of the Companies Act 1956					
	a. Value of Imports on CIF basis	CIF value	Customs Duty charges	Other	TOTAL	TOTAL
	Raw Materials and Production Stores	710.43	65.03	5.61	781.06	1609.97
	Components and Spare Parts	3.86	0.34	0.04	4.24	8.20
	Material in transit	9.56	2.96	0.00	12.52	19.72
	Capital Goods	5.97	0.92	0.01	6.89	0.55
	TOTAL	729.82	69.25	5.66	804.71	1,638.44
	b. Expenditure in Foreign Currency :					
	Royalty			0.00		0.00
	Knowhow			0.00		0.00
	Professional / Consultation Fees			0.00		0.00
	Interest			0.00		0.00
	Others			0.72		1.42
	Total			0.72		1.42
	c. Value of Imported Raw Materials, Store and Spare parts consumed and Value of Indigenous Materials Consumed and percentage of each to the total consumption					
		Rs. Crores	%	Rs. Crores	%	
	Imported	995.22	60	1649.10	39	
	Indigenous	669.98	40	2567.45	61	
	Total	1,665.20	100	4,216.55	100	
	d. Amount remitted during the year in foreign currency on account of Dividend.			0.00		0.00
	e. Earnings in Foreign Currency					
	Export of goods calculated on FOB basis			0.00		0.03
	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		0.03
38	The net exchange difference arising during the year - Net Gain/(Loss) appropriately recognised in the Profit & Loss account .			8.81		60.39

Rs.In Crores

Sl. No	SUBJECT IN BRIEF	Current Year 2010-11	Previous Year 2009-10
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd..)			
39	Disclosure of dues / payments to micro and small enterprises to the extent such enterprises are identified by the company.		
(a)	Principal amount remaining unpaid on 31.03.2011.	0.08	0.09
(b)	Interest due thereon remaining unpaid on 31.03.2011.	0.00	0.01
(c)	The amount of interest paid and principal paid beyond the appointed day during the financial year 2010-11.	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.2010-11) but without adding interest under the MSMED Act, 2007.	0.00	0.00
(e)	Amount of interest accrued and remaining unpaid on 31.03.2011.	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
40	Performance Indicators - Ratios		
-	Sales to Total Assets Sales incl. ED / Total Assets (Net Fixed Assets + Investments + Gross Current Assets)	Times	0.27
-	Operating Profit to Capital employed Profit before tax / (Share holders' funds + Loan funds)	[%]	-ve
-	Return on Net Worth (Profit after tax / Share holders' funds)	[%]	-ve
-	Profit to Sales (Profit before tax to sales incl. ED)	[%]	-ve
41	Previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's classification.		
42	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.		
43	Figures in brackets indicated in the Accounts reflect negative balances.		

As per our report of even date

For KARRA & CO

Chartered Accountants

sd/-
R SIVAKUMAR
 Partner
 M.NO.019834
 Firm Reg No.:001749S
 Place : Delhi
 Date : 12.08.2011

sd/-
RACHANA CHOUDHARY
 Company Secretary

sd/-
RAVI KHANDELWAL
 Director - Finance

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

SCHEDULE 10
NOTES ON ACCOUNTS (Contd..)

Rs.In Crores

	Current Year 2010-11	Previous Year 2009-10
Balance Sheet abstract and Company's General Business Profile :		
1. Registration Details		
Registration No	(640)/49-50	(640)/49-50
State Code	08	08
Balance Sheet Date	31-3-2011	31-3-2010
2. Capital raised during the year (in Rs Thousands)		
Public Issue	-	-
Rights Issue	-	-
Bonus Issue	-	-
Private Placement	-	-
3. Position of Mobilisation and Deployment of Funds (in Rs Thousands)		
Total Liabilities	120,363,800	120,518,600
Total Assets	120,363,800	120,518,600
TOTAL LIABILITIES		
Sources of Funds (in Rs Thousands)		
Paid-up Capital	5,880,000	5,880,000
Reserves & Surplus	51,245,200	49,746,100
Grant-in-Aid	692,900	748,100
Secured Loans	3,433,200	2,585,200
Unsecured Loans	-	196,900
Current Liabilities & Provisions	59,112,500	61,362,300
	120,363,800	120,518,600
TOTAL ASSETS		
Application of Funds (in Rs Thousands)		
Net Fixed Assets (Incl.Capital WIP)	25,545,600	25,931,400
Investments	4,100	4,100
Current Assets	55,062,100	58,358,600
Misc.Expenditure Not Written Off	-	-
Profit & Loss A/c	39,752,000	36,224,500
	120,363,800	120,518,600
4. Performance of Company (in Rs Thousands)		
Turnover[incl. Excise Duty]	21,389,300	46,603,200
Total Expenditure[incl. Excise Duty]	26,672,700	54,560,100
Profit	(3577500)	(4587600)
Earnings Per Share (in Rs.)	(13.35)	(16.85)
Dividend Rate(%)	-	-
5. Principal Products / Services		
<u>Item Code</u>	<u>Description</u>	
85.17	Electrical Apparatus for line Telephony or Line Telegraphy	
85.25	Transmission Apparatus	
85.27	Reception Apparatus for Radio-Telephony, Radio-Telegraphy etc.	

 Place : Delhi
 Date : 12.08.2011

 sd/-
RACHANA CHOUDHARY
 Company Secretary

 sd/-
RAVI KHANDELWAL
 Director - Finance

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

SCHEDULE - 11
REVENUE EXPENDITURE ON AMENITIES

Rs. in Crores

PARTICULARS	TOWNSHIP	TRANSPORT	MEDICAL
Pay and Allowances	3.20	3.34	6.07
Uniforms	0.60	0.01	0.02
Grants	0.00	0.00	0.00
Supplies and Other Services	0.05	2.99	9.94
Power, light & water	9.93	0.09	0.38
Transport Charges	0.01	2.88	0.00
Rent, Rates, Taxes and Insurance	2.06	0.38	0.00
Maintenance and repairs	1.22	0.34	0.07
Depreciation - Buildings	0.29	0.00	0.05
Depreciation - Plant, Machinery, Equipment & Vehicles	0.07	0.02	0.02
General Overheads	0.02	0.08	0.07
	17.45	10.13	16.62
LESS :			
Recoveries/adjustments			
Rent	8.58	0.00	0.00
Power, Light & Water	1.15	0.00	0.00
Transport Charges	0.10	0.34	0.00
Capitation & other Recoveries	0.00	0.00	1.07
Sales proceeds	0.00	0.00	0.00
Indirect expenses	0.00	0.00	0.00
Allocated to Township, Medical & office use	0.00	0.00	0.00
	9.83	0.34	1.07
Net Expenditure	7.62	9.79	15.55
Interest on Capital outlay notional	1.34	0.42	0.36
TOTAL EXPENDITURE	8.96	10.21	15.91
Previous year	5.67	10.53	14.92

SCHEDULE - 11
REVENUE EXPENDITURE ON AMENITIES

Rs. in Crores

CANTEEN	SCHOOLS, CLUBS, AUDITORIUM, SOCIAL AND CULTURAL ACTIVITIES	VEGETABLES FARMS, PARKS ETC.	2010-11	2009-10
3.75	0.26	0.65	17.27	17.56
0.01	0.00	0.00	0.64	0.00
0.00	2.32	0.00	2.32	2.34
2.81	0.00	0.05	15.84	15.02
0.33	0.03	0.02	10.78	5.93
0.00	0.00	0.00	2.89	3.37
0.01	0.00	0.00	2.45	2.47
0.01	0.01	0.31	1.96	1.82
0.05	0.06	0.00	0.45	0.47
0.01	0.02	0.00	0.14	0.16
0.06	0.00	0.00	0.23	0.22
7.04	2.70	1.03	54.97	49.36
0.00	0.00	0.00	8.58	7.19
0.00	0.00	0.00	1.15	1.10
0.00	0.00	0.00	0.44	0.37
0.00	0.00	0.00	1.07	0.91
0.59	0.07	0.00	0.66	0.64
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.59	0.07	0.00	11.90	10.21
6.45	2.63	1.03	43.07	39.15
0.30	0.34	0.00	2.76	2.81
6.75	2.97	1.03	45.83	41.96
6.74	3.06	1.04	41.96	41.18

SCHEDULE - 12
CAPITAL EXPENDITURE ON AMENITIES

Rs. in Crores

GROSS BLOCK AT COST					
PARTICULARS	AS AT 31-03-2010	ADDITIONS DURING THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	AS AT 31-03-2011
	1	2	3	4	5=1+2-3-4
TOWNSHIP	1097.10	0.02	0.00	0.00	1097.12
TRANSPORT	6.13	0.00	0.38	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 AUDITORIUM AND ACTIVITIES	13.40	0.00	0.00	0.00	13.40
CLUBS, SOCIAL CULTURAL					
VEGETABLE FARMS, PARKS ETC.	0.05	0.00	0.00	0.00	0.05
TOTAL	1130.82	0.02	0.38	0.00	1130.46

SCHEDULE - 12
CAPITAL EXPENDITURE ON AMENITIES (Contd..)

Rs. in Crores

DEPRECIATION					NET BLOCK	
UPTO 31-03-2010	FOR THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	UPTO 31-03-2011	AS AT 31-03-2011	AS AT 31-03-2010
6	7	8	9	10=6+7-8-9	11=5-10	12
89.07	9.22	0.00	0.00	98.29	998.83	1008.03
6.12	0.00	0.38	0.00	5.74	0.01	0.01
2.99	0.12	0.00	0.00	3.11	4.58	4.70
2.10	0.16	0.00	0.00	2.26	4.19	4.35
4.69	0.17	0.00	0.00	4.86	8.54	8.71
0.03	0.00	0.00	0.00	0.03	0.02	0.02
105.00	9.67	0.38	0.00	114.29	1016.17	1025.82

CASH FLOW STATEMENT FOR THE YEAR 2010-11

Rs. in Crores

	FOR THE YEAR ENDED 31st March 2011	FOR THE YEAR ENDED 31st March 2010
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT BEFORE TAX	(357.75)	(458.76)
ADJUSTMENT FOR:		
DEPRECIATION	22.27	24.31
FINANCING CHARGES	79.64	119.24
PROFIT ON SALE OF INVESTMENTS	0.00	0.00
INTEREST/DIVIDEND RECEIVED	(2.45)	(13.60)
LOSS ON SALE OF ASSET	0.00	0.00
PROFIT ON SALE OF ASSET	(0.20)	(0.05)
TRANSFER FROM GRANT-IN-AID	(5.52)	(316.73)
NON-CASH EXPENDITURE	6.29	129.75
	100.03	(57.08)
OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES	(257.72)	(515.84)
ADJUSTMENT FOR:		
TRADE AND OTHER RECEIVABLES	(43.06)	(2760.26)
INVENTORIES	162.65	94.70
TRADE PAYABLES	(224.98)	2613.01
DIRECT TAXES PAID	0.14	(0.07)
	(105.25)	(52.62)
CASH GENERATED FROM OPERATIONS	(362.97)	(568.46)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	(362.97)	(568.46)
EXTRAORDINARY ITEMS	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES [A]	(362.97)	(568.46)
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
PURCHASE OF FIXED ASSETS INCLUDING CAPITAL WORK-IN-PROGRESS	(8.72)	(2.41)
SALE OF FIXED ASSETS	0.21	0.43
INVESTMENTS	0.00	0.00
INTEREST RECEIVED	2.45	13.60
NET CASH USED IN INVESTING ACTIVITIES [B]	(6.06)	11.62

CASH FLOW STATEMENT FOR THE YEAR 2010-11

Rs. in Crores

	FOR THE YEAR ENDED 31st March 2011	FOR THE YEAR ENDED 31st March 2010
(C) CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM LONG TERM BORROWINGS	65.11	(1865.71)
GRANT-IN-AID RECEIVED	180.00	2820.00
FINANCING EXPENSES	(79.64)	(119.24)
NET CASH USED IN FINANCING ACTIVITIES [C]	165.47	835.06
NET INCREASE IN CASH AND CASH EQUIVALENTS [A+B+C]	(203.56)	278.21
CASH AND CASH EQUIVALENTS AS AT 01-04-2010 [OPENING BALANCE]	297.24	19.03
CASH AND CASH EQUIVALENTS AS AT 31-03-2011 [CLOSING BALANCE]	93.68	297.24

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

sd/-
RACHANA CHOUDHARY
Company Secretary

sd/-
RAVI KHANDELWAL
Director - Finance

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

AS PER OUR REPORT OF EVEN DATE
For **KARRA & CO.**
Chartered Accountants

Place: Delhi
Date : 12.08.11

sd/-
R. SIVAKUMAR
PARTNER
M. NO. 019834
Firm Reg No.: 001749S

AUDITOR'S REPORT

TO THE MEMBERS OF ITI Ltd.

We have audited the Balance Sheet of ITI Ltd, as on 31st March 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 a reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors Report) Order, 2003 and as Amended by Companies (Auditors' Report Order 2004), issued by the Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, and on the basis of the books and records of the company as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. 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
 2. In our opinion, proper books of accounts as required by the law have been kept by the company so far as appears from our examination of those books. Proper returns adequate for the purpose of our audit have been received from branches/units not visited by us.
 3. The reports on the accounts of the units audited by other auditors have been forwarded to us and have been appropriately dealt with by us in preparing our report.
 4. The Balance Sheet, Profit and Loss Account and Cash Flow Statements referred to in this report are in agreement with the books of account and with the audited returns from the units.
 5. In our opinion, The Balance Sheet, Profit and Loss Account and Cash Flow Statements dealt with by this report comply with the accounting standard referred to in Section 211(3C) of the Companies Act 1956.
 6. Disclosure in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829 (E) dated 21st October 2003 issued by the Department of Company Affairs:
 - 7.a. As stated in Accounting Policy No. 3.0 on Valuation of Inventories, Manufactured items and items lying as Work in Progress are valued at the lower of cost and net realizable value. However in Bangalore plant stocks amounting to Rs. 15.74 Crores have been carried at cost due to difficulty in ascertaining the Net Realisable Value. We are unable to ascertain the quantum of reduction in the value of inventory if any and consequent impact on the financial statements.**
 - 7.. The Company has not provided for a sum of Rs. 26.85 Crores being penalty levied for non-payment of guarantee fee. This has resulted in understatement of Loss and Current Liabilities to the extent of Rs. 26.85 Crores.**
 - 7.c. Balances in the accounts of creditors, debtors, claims & expenses recoverable, loans & advances, deposits, goods with third parties and other payables are subject to reconciliation, confirmation, and consequential adjustments (Refer Note no.13).**
 - 7.d. Interest & penalty leviable for non-remittance of statutory dues, on the 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.**
 - 7.e. The Company has not provided for interest on royalty payable to C-DOT. (Refer Note no.7)**
 - 7.f. The impact of the observation in Para 7b has resulted in understatement of loss and understatement of liabilities to the extent of Rs. 26.85 Crores.**
- The impact of the observations in Para 7a and Para's 7c to 7e if any on financial statements is not ascertainable.**

AUDITOR'S REPORT (Contd..)

Subject to the effect on the financial statements of the matters referred to in the preceding paragraphs, in our opinion and to the best of our information and according to explanations given to us, the financial statements read together with notes thereon and the accounting policies give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- i) In case of the Balance Sheet of the state of affairs of the company as at 31st March 2011
- ii) In case of the Profit and Loss Account, of the loss for the year ended on that date, and
- iii) In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Further to our opinion, Attention is drawn to Note 6 to the Financial Statements "regarding the payment of wage

revision arrears amounting to Rs.165 Crores in a phased manner on the improvement of the profitability position and also generation and availability of funds, for which no provision has been made in view of BIFR declaring the company as SICK. The Company has included the amount under Draft Rehabilitation Scheme submitted to BIFR".

For **Karra & Co.**,
Chartered Accountants
Firm Reg No: 001749S

sd/-
R.Sivakumar
Partner
Mem No. 019834

Place: Delhi
Date: 12th August 2011

ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- i)
- (a) Company has maintained proper records showing particulars including quantitative details and situation of fixed assets, but requires updation so as to reflect original cost, depreciation to date, impairment loss and details of revaluation so as to tally with the figures shown in the books of account.
 - (b) According to information and explanation given to us, all fixed assets have been physically verified by the management in a phased manner except for Rae Bareli, R & D, and Regional offices. No material discrepancies in physical verification have been reported to us.
 - (c) According to information and explanations given to us the company has not disposed off substantial part of the fixed assets so as to affect its going concern status.
- ii)
- (a) According to information and explanations give 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 explanation given to us the procedure for physical verification inventory followed by the management needs to be codified and 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 explanation given to us the company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventory.
- iii)
- (a) Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Sec 301 of Companies Act 1956. Accordingly clauses (iii) (b) to (iii) (g) paragraph 4 of the order are not applicable for the current year.
 - (b) According to information and explanation given to us company has adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets & sale of goods. According to our information, no major weaknesses in internal control requiring correction have been reported.
- iv)
- (a) According to the information and explanation given to us no transactions have been entered during the year that need to be entered into the register maintained under Section 301 of the Companies Act of 1956. Hence, our comments regarding the reasonableness of prices having regard to the prevailing market price at the relevant time under clause 4 (v) (b) does not arise.
- v)
- According to the information and explanations given to us company has not accepted any deposits from the public requiring compliance with the directives issued by the RBI and the provisions of Section 58A and 58 AA of the Companies Act 1956 and the rules framed there under. The National Company Law Tribunal has passed no order.
- vi)
- 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.
- vii)
- According to our information the Central Govt. has not prescribed any cost records under Sec. 209 (1) (d) of the Companies Act 1956.
- viii)
- (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.

ANNEXURE TO AUDITOR'S REPORT (Contd..)

- (b) According to information and explanation given to us, following undisputed statutory dues are in arrears for more than 6 months and remain unremitted on 31.3.2011.

Statutory Dues	Amount (Rs. in Lacs)
Provident Fund	2109.50
Investor Education and Protection Fund	61.55
Sales Tax, Excise Duty & Entry Tax	Not ascertained as sales recognized on provisional basis

Disputed statutory dues aggregating to Rs. 7767.97 Lacs that have not been deposited on account of matters pending before Appellate Authorities are as under

Rs. In Lakhs

Particulars	Financial Year	Forum	Amount
Sales Tax	2000-2004	Trade Tax Tribunal, Lucknow	912.15
Sales Tax	1998-1999 2000-2008	Additional Commissioner appeal, Lucknow	537.44
Sales Tax	2000-2001	Deputy Commissioner, Rae Bareli	0.93
Demand of Additional tax against Form C/F	2007-2008	Joint commissioner Commercial Tax, Allahabad	50.26
Demand of Additional tax against Form C	2005-2006	Deputy commissioner Commercial Tax, Allahabad	1,013.98
Demand of Additional tax against Form C	2006 -2007	Deputy commissioner Commercial Tax, Allahabad	464.81
Sales Tax	1986-1989	UP Government	264.89
Sales Tax	1989-1996	Committee Formed by UP Govt. as Directed by High Court	15.32
Sales Tax	1987-1989 2000-2002	High Court, Allahabad, Lucknow Bench	158.12
Sales Tax	1987-1989 1994-1995 2008-2010	Additional Court, (Appeals) Sales Tax, Gonda	160.06
ED demanded on R&D prototype modules for field trail is correct or not?	2003-2004	Commissioner of Central Excise	329.00
Nil rate of duty availed on software disputed by CE dept.	2001-2002 2002-2003	Commissioner of Central Excise	1,770.64
Dispatches of Software (CNMS & DCME)	2007-2008	Commissioner Appeals	7.39
CENVAT credit availed on import of IFWT and Power Supply Units, denied by the CE dept	2007	Commissioner of Central Excise	376.14
110/115% demanded on Transfer of Purchased Items to Sister Units	2007	Commissioner of Central Excise	108.28
ED demanded on Insurance, Freight and towards Credit notes.	2000-2001	Commissioner of Central Excise	71.55
CENVAT credit availed on Scrap and Written off cases was disallowed.	2000-2001	Commissioner of Central Excise	16.75
NIL rate of duty availed on Software disputed by CE dept	2003-2004 & 2004-2005	Commissioner of Central Excise	637.00

ANNEXURE TO AUDITOR'S REPORT (Contd..)

Particulars	Financial Year	Forum	Amount
Excise duty	2004-2005	Appellate tribunal	61.55
Excise duty	2000-01	Appellate tribunal	690.08
Excise duty	2001-02	Commissioner Appeals	68.07
Excise duty	2002-03	Commissioner Appeals	5.45
Sales tax demand	2001-02	Deputy Commissioner Appeals	15.03
Sales tax demand	2003-04	Deputy Commissioner Appeals	33.08
Grand Total			7,767.97

- ix) The net worth of the company (with out reckoning the revaluation reserve) as on 31.3.2011 has completely eroded. Further company has incurred cash losses of Rs.335.48 Crores & Rs. 434.45 Crores for the financial year 2010-11 and 2009-10 respectively. The cash losses for both the financial years have been arrived at without reckoning the effect of audit qualifications in our reports.
- x) The Company has not defaulted in repayment of dues to Banks and Financial Institutions.
- xi) Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii) According to information given to us the company is not a chit fund / Nidhi or mutual benefit trust / society. Accordingly, the provisions of the Para 4 (xiii) (a) to (d) of the Companies (Auditor's Report) order, 2003 do not apply.
- xiii) According to the information given to us the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of the Para 4 (xiv) of the Companies (Auditor's Report) order, 2003, do not apply.
- xiv) According to information given to us, the company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- xv) In our opinion and according to information and explanations given to us, the company has prima facie applied the term loans for the purpose for which they were obtained.
- xvi) According to the information and explanations given to us and on over all examination of the balance sheet of the company, we report that company has during the year applied the loans for the purpose for which it was raised.
- xvii) 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 u/s 301 of the Companies Act 1956.
- xviii) The company has not issued any debentures. Hence, the question of creating security in respect of debentures issued does not arise.
- xix) According to information and explanations given to us, the company has not raised any money from public issues during the year.
- xx) According to information and explanations given to us no fraud on or by the company has been noticed or been reported during the year.

For **Karra & Co.**,
Chartered Accountants.
Firm Reg No: 001749S

sd/-
R.Sivakumar
Partner.
Mem No. 019834

Place: Delhi

Date: 12th August 2011

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ITI LTD. FOR THE YEAR ENDED 31 MARCH 2011

The preparation of financial statements of ITI Ltd. for the year ended 31 March 2011 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 12 August 2011.

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 Ltd .for the year ended 31 March 2011. 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 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 : 16th September 2011



ATTENDANCE SLIP

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

I hereby record my presence at the 61st Annual General Meeting held on Wednesday, the 28th September, 2011 at 11.30 a.m. at BANGALORE TAMIL SANGAM, No. 59, Annaswamy Mudaliar Road, Bangalore-560 042.

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.**

I, We of being a Member / Members of ITI Ltd., hereby appoint of or failing him of as my/ our proxy to vote for me /us and on my/our behalf at the 61st Annual General Meeting of the Company to be held on Wednesday, the 28th September 2011 at 11.30 a.m. and at any adjournment thereof.

Dated this _____ day of _____ 2011.

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.

IN RETROSPECT

National Safety Award to ITI



The Ministry of Labour and Employment, has honoured ITI with 'National Safety Awards'. Shri K.L.Dhingra, CMD, received these awards from Shri Mallikarjun Kharge (extreme left), Minister for Labour and Employment, at a function held at Vigyan Bhavan, New Delhi.

ITI Bags "Top Telecom Turnkey Company of the Year 2011" Award



ITI Ltd has bagged the "Top Telecom Turnkey Company of the Year 2011" award from *Voice and Data*, an influential Indian communications magazine from CyberMedia. Shri K.L.Dhingra, Chairman and Managing Director of ITI Ltd, received the award from Shri R. Chandrashekhar, Secretary to the Department of Telecom (extreme left) at a function in New Delhi.

ITI Signs MoU with Telecom Commission



ITI signed Memorandum of Understanding (MoU) with the Telecom Commission for the year 2011-12. Shri R.Chandrasekhar, Secretary, DoT and Chairman, Telecom Commission (extreme right) and Shri K.L. Dhingra, CMD, ITI Ltd. signed the MoU in New Delhi.

ITI, C-DOT Sign Agreement



ITI and Centre for Development of Telematics (C-DOT) signed an agreement to evaluate, discuss and negotiate contractual relationship concerning the Transfer of Technology for Gigabit Passive Optical Network (G-PON) System.



ITI Felicitates Sudha Singh, Gold Medal Winner in Asian Games



ITI Ltd felicitated Asiad gold medalist Sudha Singh at a function held in Rae Bareli.

Sudha Singh won the gold medal in the women's 3000m Steeplechase Race at the XVI Asian Games (2010) in Guangzhou, China. She is daughter of Shri Hari Narain Singh, an employee of ITI at Rae Bareli.

Shri K.L. Dhingra, CMD, ITI Ltd, felicitating Sudha Singh.

To

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If undelivered please return to:

ITI LIMITED

Registered & Corporate Office: ITI Bhavan, Doorvaninagar
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Website: <http://www.itilt-d-india.com>



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