

48th  
**ANNUAL REPORT**  
1997-98



**Dear Shareholder,**

The remarkable turnaround that ITI has achieved through grit and determination has put a smile back on the face of everyone.

The turnaround signifies not just an increase in figures but also a change in attitude as well as the environment, bringing with it a new found optimism and the much needed enthusiasm to face the challenges of the future.

The zest for performance and justifiable pride in being the leader has already made a positive contribution to the Company's balance sheet. The smile is reflected in the ascending curves of growth in sales, production, capacity utilisation, value added and drastic reduction in inventory, working capital, borrowings and manpower, clearly setting the trend for a healthy growth. Enough reason for you to smile too !

With a strong business orientation infused in its operations, and promise of full customer support, ITI reaffirms its commitment to its growing family of shareholders.

*R. S. Motial*

**Air Cmde S S Motial (Retd)**  
Chairman & Managing Director





## CONTENTS

MD	✓	BKC	✓
CS	✓	D'Y	✓
RO	✓	D'Y	✓
TRA	✓	AC	✓
AGM	✓	SH	✓
YE	✓		✓

Board of Directors ..... 2

Management ..... 3

Notice ..... 4

Ten Year Digest ..... 7

Figures at a Glance ..... 10

Directors' Report ..... 13

Accounting Policies ..... 28

Annual Accounts ..... 30

Auditors' Report ..... 62

Comments Of the C & AG of India ..... 65



<b>BOARD OF DIRECTORS</b>	:	<b>Air Cmde. S.S. Motial (Retd.)</b> <i>Chairman &amp; Managing Director</i> <b>Shri B.B. Singh</b> <b>Shri U.D. Paradkar</b> <i>Director-Bangalore Plant</i> <b>Shri A.V. Varadarajan</b> (from 27.11.97) <i>Director-Finance</i> <b>Shri Gautam Soni</b> (from 7.4.98) <b>Lt. Gen Prakash Gokarn</b> (from 12.8.98) <b>Shri Prakash Narain</b> (from 19.8.1998) <b>Shri S.K. Manocha</b> (from 21.8.98) <i>Director (R&amp;D)</i>
<b>EX-DIRECTORS</b>	:	<b>Shri H.S. Chandramouli</b> (upto 28.2.98) <b>Shri A.K. Datta</b> (upto 7.4.98) <b>Lt.Gen. A.J.S. Bhalla</b> (upto 30.4.98) <b>Shri J.K. Chhabra</b> (upto 19.8.98)
<b>COMPANY SECRETARY</b>	:	<b>Shri C.R. Prakash</b>
<b>LEGAL ADVISERS</b>	:	<b>M/s. Raj &amp; Reddy, Advocates, Bangalore</b> <b>M/s. Udaya Holla, Advocates, Bangalore</b> <b>M/s. N. Jayaraman, Advocates, Bangalore</b>
<b>AUDITORS</b>	:	<b>M/s.K.V. Narasimhan &amp; Company, Bangalore</b> <b>M/s. Vinay Kumar &amp; Company, Allahabad</b> <b>M/s. Chandru &amp; Company, Palakkad</b> <b>M/s. Gupta &amp; Gupta, New Delhi</b> <b>M/s. D.S. Shukla &amp; Company, Gorakhpur</b> <b>M/s. Garg Goyal &amp; Company, Rae Bareli</b>
<b>BANKERS</b>	:	<b>State Bank of India</b> <b>State Bank of Patiala</b> <b>State Bank of Bikaner &amp; Jaipur</b> <b>State Bank of Mysore</b> <b>State Bank of Hyderabad</b> <b>State Bank of Travancore</b> <b>Bank of Baroda</b> <b>Central Bank of India</b> <b>Punjab National Bank</b>

**ANNUAL REPORT 1997 - 98****MANAGEMENT****CORPORATE OFFICE**

**Air Cmde. S. S. Motial (Retd. )**  
Chairman & Managing Director

**Shri A.V. Varadarajan**  
Director-Finance

**Shri S.K. Manocha**  
Director-R&D

**Shri A.L. Motwani**  
Executive Director (OPS)

**Dr. P.S.B. Murthy**  
Executive Director-PP & MC Dvn.

**Shri K. Audi Seshu**  
Executive Director-HRD, IS & Vig.

**Brig. D.N. Sabarwal**  
Executive Director-Marketing

**Shri Virendra Singh**  
Executive Director (OSD)

**Shri U.S. Agarwal**  
Additional Director-Finance

**Shri P. Vasudevan**  
Additional Director-P&A

**Shri Rangari**  
Additional Director-PC

**PLANTS****BANGALORE**

**Shri U.D. Paradkar**  
Director

**E C PLANT**

**Shri K.K. Sundaram**  
General Manager

**NETWORK SYSTEMS**

**Shri A.K. Bhan**  
Executive Director

**RAE BARELI**

**Shri M.C. Malik**  
Executive Director

**NAINI**

**Shri V.K. Chaturvedi**  
Executive Director

**MANKAPUR**

**Shri J. Devgan**  
General Manager

**PALAKKAD**

**J.K. Verma**  
General Manager

**SRINAGAR PLANT**

**M.M. Sheikh**  
Deputy General Manager

**LIAISON & CO-ORDINATION OFFICE  
NEW DELHI**

**Shri Mahesh Chandra**  
Executive Director (BC)



## NOTICE

NOTICE is hereby given that the FORTYEIGHTH Annual General Meeting of ITI Limited will be held on Tuesday, the 29th September, 1998 at 2.00 P.M. at Gurunanak Bhavan, Jasma Bhavan Road, Vasanth Nagar, Bangalore-560 052 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Balance Sheet as at 31st March 1998, the Profit and Loss account for the year ended on that date and the Auditors' Report thereon.
2. To appoint a Director in place of Air Cmde. S.S. Motial who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri U.D. Paradkar who retires by rotation and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:  
 "RESOLVED that Shri A.V.Varadarajan, who was appointed with effect from 27th November, 1997 as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the forthcoming 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".
5. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:  
 "RESOLVED that Shri Gautam Soni, who was appointed with effect from 7th April, 1998, as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the forthcoming 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".
6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:  
 "RESOLVED that Shri S.K. Manocha, who was appointed with effect from 21st August, 1998, as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the forthcoming 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 Resolution as a Special Resolution:  
 "RESOLVED that pursuant to Section 163(1) of the Companies Act, 1956, the Company hereby accords approval that the Register of Members and copies of Annual Returns prepared under Section 159 together with the copies of Certificates and documents required to be annexed thereto under Section 161 or any one or more of them, be kept at the Office of the Company's Registrars and Share Transfer Agents M/s Alpha Systems Private Ltd., Bangalore instead of being kept at the Registered office of the Company."

Registered & Corporate Office  
 45/1, Magrath Road,  
 BANGALORE-560 025.

Place: Bangalore  
 Date : 27th August, 1998.

By Order of the Board  
 For ITI LIMITED

(C.R.PRAKASH)  
 COMPANY SECRETARY



**ANNUAL REPORT 1997 - 98****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 23th September, 1998 to 29th September, 1998 (both days inclusive).
3. In accordance with the relevant provisions of the Companies Act, 1956, Air Cmde S.S.Motial will retire by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment. Air Cmde S.S.Motial was appointed as Chairman & Managing Director w.e.f. 20th September, 1996 vide letter No.U-38014/1/95-FAC dated 20th September 1996. Further, Department of Telecommunications vide letter No.U-38014/1/95 -FAC dated 14th July, 1998 has enhanced the age of retirement for Air. Cmde S.S.Motial from 58 years to 60 years.
4. In accordance with the relevant provisions of the Companies Act, 1956, Shri U.D.Paradkar will retire by rotation at this Annual General Meeting and being eligible, offers himself for re- appointment. Shri U.D.Paradkar was appointed as Director, Bangalore Plant w.e.f. 12th November, 1996 vide letter No.U-38014/10/95-FAC dated 9th October, 1996. Further, Department of Telecommunications vide letter No.U-38014/10/95-FAC dated 10th July, 1998 has enhanced the age of retirement for Shri U.D.Paradkar from 58 years to 60 years.
5. The unclaimed dividend for the financial year 1993-94 has been transferred to the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those Members who have so far not claimed their dividends for the said period may claim the same by submitting application in Form No.II to the Registrar of Companies in Karnataka, Bangalore.
6. Members requiring information on the accounts are requested to write to the Company atleast seven days before the date of the Meeting to enable the Company to furnish the information.
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 relevant Explanatory Statements 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 Statements 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.4 - Special Business**

Shri A.V.Varadarajan was appointed as Additional Director with effect from 27th November, 1997 with the designation of Director-Finance, by the Board of Directors of the Company in pursuance of letter No.U-38014/3/96-FAC dtd. 17-11-1997 issued by Department of Telecommunications. Further, Department of Telecommunications vide letter No.U-38014/3/96-FAC dated 14th July, 1998 has enhanced the age of retirement for Shri A.V.Varadarajan from 58 years to 60 years. According to the provisions of Section 260 of the Companies Act, 1956, Shri A.V.Varadarajan holds office of Director upto the date of the ensuing 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 A.V.Varadarajan as Director. Hence the relative Resolution is placed before the Meeting for Members' approval.

Shri A.V.Varadarajan 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.

**NOTES Contd.****For Item No.5 - Special Business**

Shri Gautam Soni was appointed as Additional Director on the Board as Part-time Official Director with effect from 7th April, 1998 in place of Shri A.K.Datta in pursuance of letter No.U-38014/6/96-FAC dated 7th April 1998 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri Gautam Soni holds office of Director upto the date of the ensuing 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 Gautam Soni. Hence the relative Resolution is placed before the Meeting for Members' approval.

Shri Gautam Soni 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.6 - Special Business**

Shri S.K. Manocha was appointed as Additional Director on the Board with effect from 21st August, 1998 with the designation of Director (R&D) by the Board of Directors of the Company in pursuance of letter No.U-38014/1/97-FAC dated 21st August, 1998, issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri S.K. Manocha holds office of Director upto the date of the ensuing 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 S.K. Manocha as Director. Hence the relative Resolution is placed before the Meeting for Members' approval.

Shri S.K. Manocha 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**

Certain Registers and Documents which are normally required to be kept at the Registered Office of the Company may be kept at a place other than the Registered Office of the Company, provided such other place has been approved by the Members by a Special Resolution at the General Meeting.

The Company has appointed M/s Alpha Systems Private Ltd., Bangalore as its Registrars and Share Transfer Agents with effect from 1st October 1998 for providing depository services (Electronic Mode) as well as handling physical mode in place of M/s Kirloskar Computer Services. Therefore, it is proposed to keep the Index and Register of Members and copies of Annual Returns of the Company at the Registrars and Share Transfer Agents' Office. Hence, the approval of the Members is sought in terms of Section 163 of the Companies Act, 1956, for keeping the aforementioned Registers and Documents at the Office of the Registrars and Share Transfer Agents, namely, M/s Alpha Systems Private Ltd., Bangalore.

None of the Directors of the Company is concerned or interested in the above Resolution.

Registered & Corporate Office  
45/1, Magrath Road,  
BANGALORE - 560 025.

Place: Bangalore  
Date : 27th August, 1998.

By Order of the Board  
For ITI LIMITED

(C.R. PRAKASH)  
COMPANY SECRETARY



## ANNUAL REPORT 1997 - 98



## TEN YEAR DIGEST

Rs.in Lakhs

OPERATING RESULTS	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Sales including services	126305	102121	78262	103662	152725	148395	108470	97846	95875	62518
Accretion/(Decretion) to Stock	389	(275)	(8,389)	(5,106)	(693)	3778	2971	779	6940	11261
Value of Production	126694	101846	69873	98556	152032	152173	111441	98625	102815	73779
Other Income	15539	18276	5836	8334	4793	4491	3857	2250	1792	1197
Direct Materials	67758	59504	39782	53967	71775	75070	47748	45615	52357	32353
Employees Cost	32168	26791	26509	22517	22897	24023	18441	16475	16219	14091
Depreciation	2731	3039	4827	4824	5918	5269	5064	5130	4554	4033
Interest	15096	18669	15180	14171	14040	10820	9474	9392	10827	9771
Other expenses	22783	18576	16180	19943	21657	24017	24899	15909	16035	10810
Profit for the year	1697	(6,457)	(26,769)	(8,532)	20538	17465	9672	8354	4615	3918
Prior Period Adjustments	(571)	(2,309)	(1,627)	341	(2,903)	1,524	(1,849)	(1,797)	(1,097)	(1,121)
Profit Before Tax	1126	(8,766)	(28,396)	(8,191)	17635	18989	7823	6557	3518*	2797
Provision for Tax	-	-	-	-	9200	10400	2100	2950	570	40
Add: Provision for tax of earlier years no longer required	400	3676	-	-	-	-	-	-	-	-
Profit after Tax	1526	(5,090)	(28,396)	(8,191)	8435	8589	5723	3607	2948	2757
Dividend	-	-	-	-	1760	1408	1056	528	528	528
FINANCIAL POSITION	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Equity	8800	8800	8800	8800	8800	8800	8800	8800	8600	8800
Reserves & Surplus	2050	14303	14807	31505	39691	33005	25816	21129	18038	15614
Miscellaneous expenditure not written off	117	1109	382	582	412	564	1510	2651	4218	5656
Profit and Loss Account-(Debit)	2415	16203	11659	-	-	-	-	-	-	-
Shareholders' Funds	8318	5791	11566	39723	48079	41241	33106	27278	22620	18758
Grant-in-Aid	13770	11290	9471	6432	4029	69	70	65	81	123
Bonds	17785	14647	11868	11870	30297	30319	41903	41978	42008	42032
Other borrowings and deferred credit	72911	81116	84410	87544	67029	57880	25824	27035	34746	29020
Gross Block	73670	71654	69735	67038	62898	59159	52692	48795	43253	35797
Depreciation	55235	52680	50279	46090	41621	36104	30982	26139	20709	16185
Net Block	18435	18974	19456	20948	21277	23055	21710	22656	22544	19612
Capital work-in-progress	12261	11188	6243	2944	3340	2008	3371	3885	5442	7958
Current Assets, Loans and Advances :										
Inventory	51768	55153	53433	63630	66274	72994	64271	60295	71984	59601
Debtors	76035	61405	56481	75582	91520	87657	78212	65086	59991	48983
Others	22350	17754	29998	42719	34907	21259	25449	17274	15744	12276
<b>Total</b>	<b>150153</b>	<b>134312</b>	<b>139912</b>	<b>181931</b>	<b>192701</b>	<b>181910</b>	<b>167932</b>	<b>142655</b>	<b>147719</b>	<b>120860</b>



## ANNUAL REPORT 1997 - 98

## TEN YEAR DIGEST Contd.

Rs.in Lakhs

FINANCIAL POSITION	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Current Liabilities and										
Provisions	71560	62365	59041	73989	88332	98167	115725	89997	79307	58588
Working Capital	78593	71947	80871	107942	104369	83743	52207	52658	68412	62272
Capital Employed - By Sources:										
Shareholders' Funds	8318	5791	11566	39723	48079	41241	33106	27278	22620	18758
Grant-in-aid	13770	11290	9471	6432	4029	69	70	65	81	123
Borrowings	90696	95763	96278	99414	97326	88199	67727	69013	76754	71051
Total Funds	112784	112844	117315	145569	149434	129509	100903	96356	99455	89932
Capital Employed -By Applications										
Net Fixed Assets	18435	18974	19456	20948	21277	23055	21710	22656	22544	19612
Working Capital	78593	71947	80871	107942	104369	83743	52207	52658	68412	62272
Capital Work in Progress	12261	11188	6243	2944	3340	2008	3371	3885	5442	7958
Investments	3495	10735	10745	13735	20448	20703	23615	17157	3057	90
Total Assets	112784	112844	117315	145569	149434	129509	100903	96356	99455	89932
FINANCIAL RATIOS	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Profitability Ratios :										
Profit before interest and tax to capital employed [(Net Fixed Asset and Net Current Assets) (%)]	16.72	10.89	-13.17	4.64	25.21	27.91	23.40	21.18	15.77	15.35
Profit Before Tax to Sales and Services (%)	0.89	-8.58	-36.28	-7.90	11.55	12.80	7.21	6.70	3.67	4.47
Profit After Tax to Shareholders' Funds (%)	18.35	-87.90	-245.51	-20.62	17.54	20.83	17.29	13.22	13.03	14.70
Long Term Debt to Shareholders' Funds	2.93:1	5.54:1	3.02:1	0.85:1	1.24:1	1.36:1	1.80:1	2.09:1	2.70:1	3.32:1
Working Capital Ratios:										
Current Ratio	2.10:1	2.15:1	2.37:1	2.46:1	2.18:1	1.85:1	1.45:1	1.59:1	1.86:1	2.06:1
Working Capital in no. of months of Value of Production	7.44	8.48	13.89	13.14	8.24	6.60	5.62	6.41	7.98	10.13
Inventory in no. of months of Value of Production	4.90	6.50	9.18	7.75	5.23	5.76	6.92	7.34	8.40	9.69
Debtors(Net of Advances) in terms of months of Sales and Services	4.78	4.83	5.87	6.32	4.55	3.45	0.76	0.71	1.75	3.05
Working Capital to total Capital Employed (%)	69.68	63.76	68.93	74.15	69.84	64.66	51.74	54.65	68.79	69.24
Cost of Direct Material to Value of Production (%)	53.48	58.43	56.93	54.76	47.21	49.33	42.85	46.25	50.92	43.85