

53rd ANNUAL REPORT 2002 - 2003

ITI'S contribution to National Telecom Infrastructure (1948-2003)



Dear Shareholder,

As the telecom equipment industry continues to battle weak demand, 2003 has been a new year of decline for equipment manufacturers' revenues.

Although there was a shortfall in meeting your Company's targetted turnover for the year ended March 2003 severely affecting its bottomline, the redeeming feature of the year's performance is that ITI has emerged as the top telecom turnkey services company in the country. It's credentials as a total solutions provider having been thus established, the task on hand is to rejuvenate the production activity which is your Company's core competency.

While the pace of technology from wire to wireless has been very sudden, both the limited mobility WLL - CDMA (Wireless in Local Loop - Code Division Multiple Access) and the GSM (Global System for Mobile) cellular are growing at a phenomenal rate. In tune with this trend, our initiatives for the manufacture of CDMA technology have resulted in signing the license agreement with global leader ZTE of China. The MOU recently signed will similarly lead to GSM equipment manufacture. An exclusive production line being planned for export of electronic equipment, should keep our revenue streams flowing. Besides GSM/CDMA manufacturing, next generation IP switches, DWDM (Dense Wave Division Multiplexing), etc., our new focus includes revenue sharing in networking projects. Timely delivery of products and service projects has been accorded the highest priority to ensure utmost customer satisfaction. The restructuring of operations, rationalisation of manufacturing facilities, diversification into non-telecom products using the existing infrastructure and upgradation of employee skills are among the several steps we have put through in order to improve the bottomline.

That India has attained a teledensity of only 5% of its population, indicates a huge market potential in this sector. The size of the equipment manufacturing industry and communication services market is poised to grow in the next few years. With the infrastructure strength ITI commands, your Company's share in meeting this demand looks promising.

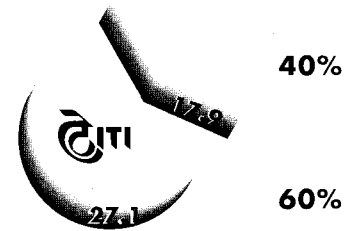
The steady performance of ITI stock on the country's bourses reflects a deep level of investor confidence. We seek your continued support in our constant endeavour to give you value for money.

Y.K. Pandey

Y.K. Pandey

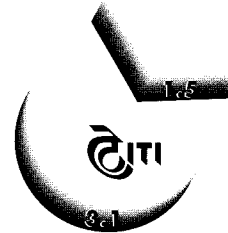
Chairman & Managing Director

Switching Lines (Million Lines)



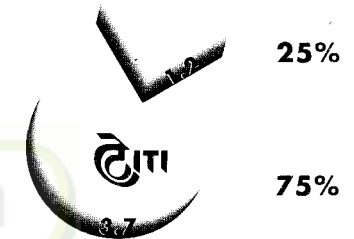
33%

67%



Transmission (Lakh Route Kms)

Long Distance Trunk Lines (Million Lines)



Telephones (Millions)

Fixed

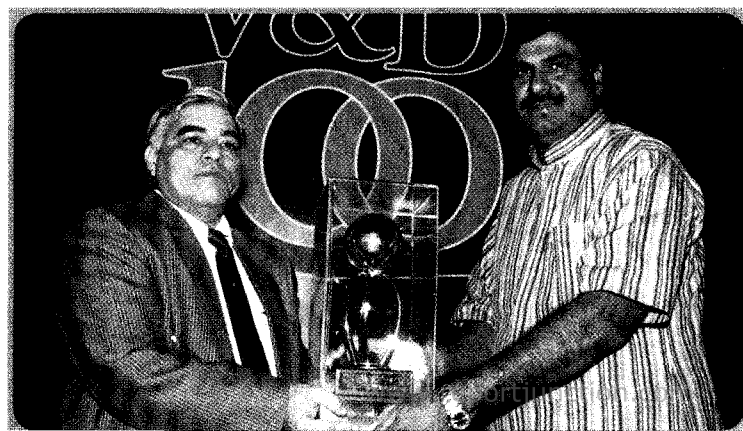
Mobile

43%

57%



Shri Ashok Pradhan, Hon'ble Minister of State for Communications & IT presents the V & D 100 Top Telecom Turnkey Services Company of the Year Award to ITI.





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BOARD OF DIRECTORS

Shri Y.K. Pandey

Chairman & Managing Director

Shri C.S. Verma

Director - Finance

Shri J.K. Verma

Director – Bangalore Plant

Lt. Gen. D.P. Sehgal, PVSM, AVSM, VSM, ADC

Smt. Anuradha Mitra

Shri Vijoy Kumar

Shri Pankaj Agrawala, IAS

Dr. Vinay K. Dharmadhikari

(Upto 04.07.2002)

Smt. Lakshmi G. Menon

CMD (Upto 30.09.2002)

Shri S.K. Manocha

DRD (upto 20.8.2003)

Shri C.R. Prakash

Company Secretary



LEGAL ADVISERS

M/s. Raj & Reddy, Advocates, Bangalore
M/s. Holla & Holla, Patil & Nettar, Advocates, Bangalore
M/s. N. Jayaraman, Advocates, Bangalore
M/s. Rao & Joshi & Associates, Advocates, Bangalore
M/s. Dave & Girish & Co., Advocates, Bangalore

AUDITORS

M/s. A.R. Viswanathan & Co., Bangalore
M/s. Habibullah & Co., Gorakhpur
M/s. Garg Goyal & Co., Rae Bareilly
M/s. Balram Chandra & Associates, Allahabad
M/s. Varier & Associates, Palghat
M/s. Khanna Puri Wadhawan & Co., New Delhi

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
UTI Bank Limited
Vijaya Bank
Indian Bank
Canara Bank

MANAGEMENT

CORPORATE OFFICE

Shri Y.K. Pandey

Chairman & Managing Director

Shri C. S. Verma

Director - Finance

Shri P.B.O. Warjri, IAS

Chief Vigilance Officer

Shri P. Vasudevan

Additional Director - HRD

Shri Pritam Singh

Additional Director (PP & BTG)

Shri P.K. Bose

Additional Director (OPS)

Shri A.K. Rangari

Additional Director (QA & IA)

Shri J. Devgan

Additional Director (M & E)

Shri S.K. Chatterjee

Additional Director (P & A)

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PLANTS - UNITS

Bangalore Plant

Shri J.K. Verma

Director - Bangalore Plant

Palakkad Plant

Shri D. Hari

General Manager

Electronic City Plant

Shri D. Shekar Kumar

General Manager

Rae Bareli Plant

Shri A.K. Ray

General Manager

Network Systems

Shri D. Saha

General Manager

Srinagar (J & K) Plant

Shri M.M. Sheikh

Additional General Manager

Naini Plant

Shri S.S. Choudhary

General Manager

Business Co-ordination Office, New Delhi

Shri Ratan Singh

Addl. General Manager

Mankapur Plant

Shri P.P. Singhal

General Manager



NOTICE :

NOTICE is hereby given that the FIFTY THIRD Annual General Meeting of ITI Limited will be held on Tuesday, the 30th September, 2003 at 11.00 a.m. at Gurunanak Bhavan, Jasma Bhavan Road, 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 2003, 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 C.S. Verma who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. Anuradha Mitra who retires by rotation and being eligible offers herself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:

"RESOLVED to authorise the Board of Directors of ITI Limited to fix the remuneration, reimburse travelling allowance and out of pocket expenses of Statutory and Branch auditors of the Company to be appointed by Comptroller and Auditor General of India for the financial year 2003-2004.

SPECIAL BUSINESS :

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

"RESOLVED that Shri Y.K. Pandey, who was appointed with effect from 6th May 2003 as an Additional Director of the Company with the designation of Chairman-cum-Managing Director by the Board of Directors and who holds office up to 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".

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

"RESOLVED that Shri J.K.Verma, who was appointed with effect from 6th November 2002 as an Additional Director of the Company with the designation of Director – Bangalore Plant by the Board of Directors and who holds office up to 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".

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

"RESOLVED that pursuant to the provisions of Section 293 (1) (a) of the Companies Act, 1956 consent of the members be and is hereby accorded to the Board of Directors of the Company for the disposal of VLSI-2 Project of the Company together with all assets and liabilities for a total consideration of Rs. 26 crores to SITAR or to such other person and on such other terms and conditions as the Board of Directors may deem fit".

Regd. & Corporate Office
45/1, Magrath Road,
Bangalore-560 025

Place : Bangalore
Date : 29.08.2003

By Order of the Board
For ITI LIMITED

(C.R. PRAKASH)
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 23rd September, 2003 to 30th September, 2003 (both days inclusive).
3. Members are requested to advise the Share Transfer Agents, M/s. 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 C.S. Verma, Director-Finance and Smt. Anuradha Mitra, Director, 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. 4 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 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.
9. **Nomination facility:** Pursuant to the provisions of Section 109A of the Companies Act, 1956 and as has been already brought to the notice of all the Members, individual Members are entitled to make a nomination in respect of the shares held by them. The Members, who have not yet sent the said nominations, are requested to send the Nomination in Form-2B (in duplicate), to the Registrars and Share Transfer Agents of the company.

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

For Item No. 5 - Special Business

Shri Y.K. Pandey was appointed as Additional Director with effect from 6th May 2003 with the designation of Chairman-cum-Managing Director, by the Board of Directors of the Company in pursuance of letter No. U-38011/3/2001-FAC dated 5th May 2003 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri Y.K. Pandey holds office of Director up to 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 Y.K. Pandey as Director. Hence the relative resolution is placed before the Meeting for Members approval.

Shri Y.K. Pandey 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 J.K. Verma, was appointed as Additional Director with effect from 6th November 2002 with the designation of Director – Bangalore Plant, by the Board of Directors of the Company in pursuance of letter No. U-38014-4/2000-FAC Dated 06.11.2002 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri J.K. Verma holds office of Director up to 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 J.K. Verma as Director. Hence the relative Resolution is placed before the Meeting for Members approval.

Shri J.K. Verma 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

ITI established VLSI-2 Prototyping facility at Bangalore Plant based on a Memorandum of Understanding between ITI and DRDO. The objective of the facility was to provide prototyping facilities to the Scientific Departments and to establish a Center of Excellence in Semiconductor Technology. The project is monitored by DRDO, Department of Atomic Energy, ISRO and Department of Telecommunication. The Project is funded by DRDO.

In order to administer VLSI-2 facility, DRDO has registered Society for Integrated Circuit Technology and Applied Research (SITAR) on 28.01.2002. A request has been received from SITAR, to transfer / sell the VLSI-2 facility to SITAR.