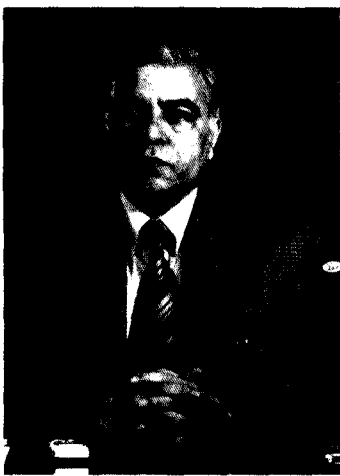


54th ANNUAL REPORT

2003 - 2004



Shareholder,

It has been a difficult year for ITI having to grapple with declining demand for equipment and continued price fall. Lack of orders brought the turnover down from the last year, hitting the bottomline hard. While revenues from sale of equipment came down, the upshot was that your Company maintained its new found status as the country's top telecom turnkey service provider for the second year in a row, firmly underscoring its prowess for total solutions in the converging convergence space. An ample testimony of this leadership is the tremendous improvement visible in many prestigious turnkey projects that ITI is executing, kindling hopes of early closure.

The strategy for turnaround therefore is to consolidate ITI's strength in telecom turnkey services and buttress it with manufacture of new communication equipment and at the same time, diversify into non-telecom products and contract manufacturing employing existing capabilities. I am glad that several steps your Company had initiated in the past two years for revival, have begun to yield results. The most significant is the acquisition of new technologies like GSM and WLL which are slated to bring in the desired increase in sales turnover and regain your Company's lost position as the biggest equipment maker. ITI is geared to meet the huge market for mobile communication structure as mobile phone subscriptions are set to outstrip fixed line connections by the year end. The revitalisation of certain product lines like SDH, DWDM and revival of rural switching solutions has lent a cutting edge to our marketing efforts. New streams of revenue have been opened by striking an alliance with BSNL for broadband V-SAT services and the successful launch of bank financing products, shelters and towers. The assignment to set up communication network in Afghanistan for TCIL is an example of business co-operation can take ITI places. The current order book is over Rs. 1600 Cr is a proof of abiding customer confidence.

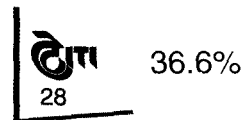
Company's revival plan is rooted in sound business sense- that growing market for escalating telecom services which witnessed unprecedented 40% jump over the previous year in all three types of fixed, WLL and mobile combined, pushing the teledensity to 100%. While the economy measures have generated substantial savings, employee cost has been contained in downsizing exercise through VR. The merger of EC Plant with Bangalore represents the decisive step in restructuring operations to increase productivity and reduce fixed costs.

Behind this crusade for revival is a firm belief in ITI's inherent strengths reflected in its well defined vision. The Government has recognised your Company's vital role by extending all support to help ITI as the nation's hub for manufacturing. Your continued success is what we seek in our onerous task of staging a come back.

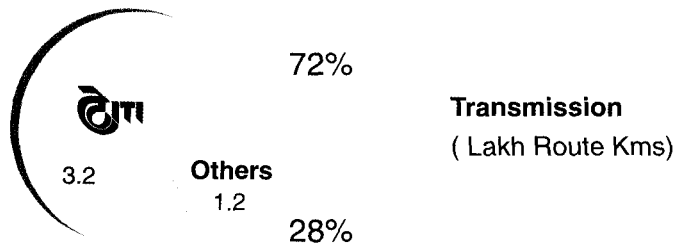
YK Pandey
Chairman & Managing Director

ITI's contribution to National Telecom Infrastructure 1948-2004

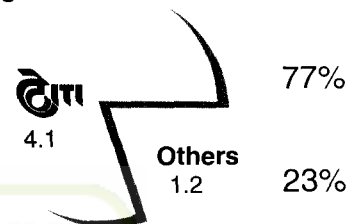
Switching Lines
(Million Lines)



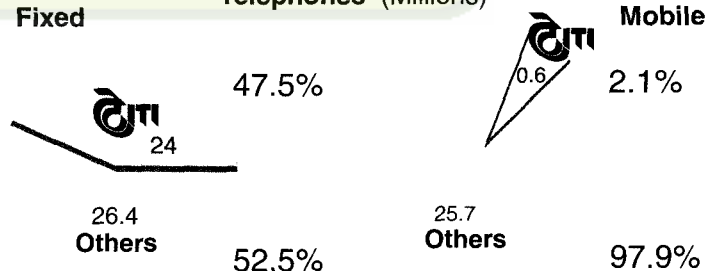
Others
48.5
67.4%



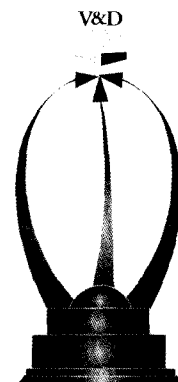
Long Distance Trunk Lines
(Million Lines)



Fixed Telephones (Millions)



Winner of
TOP TURNKEY SERVICES COMPANY



Award 2004

The ultimate recognition
in Indian Telecom

CONTENTS

Board of Directors	2
Management	4
Notice	5
Ten Year Digest	7
Figures at a glance	10
Directors' Report	13
Accounting Policies	40
Annual Accounts	42
Auditors' Report	76
Comments of the C & AG of India.....	82

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 Davinder Kumar, VSM & Bar

Report Junction.com

Smt. Anuradha Mitra

Shri Vijoy Kumar

Shri Pankaj Agrawala, IAS

Shri S.K. Manocha

Director R & D (Upto 20.08.2003)

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

(Upto 31.01.2004)

Shri C.R. Prakash

Company Secretary

LEGAL ADVISERS

M/s. Raj & Reddy, Advocates, Bangalore
M/s. Holla & Holla, Patil & Nettar, Advocates, Bangalore
M/s. CZB & Partners, 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 Bareli
M/s. Santosh Kumar & Co., Naini
M/s. Varier & Associates, Palghat
M/s. J.S.V.P & CO., Srinagar

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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 P.K. Bose
Additional Director (O)

Shri C.S. Verma
Director - Finance

Shri A.K. Rangari
Additional Director (QA)

Shri P.B.O. Warjri, IAS
Chief Vigilance Officer

Shri J. Devgan
Additional Director (M & E)

Shri P. Vasudevan
Additional Director (HRD)

Shri S. K. Chatterjee
Additional Director (P & A)

Shri Pritam Singh
Additional Director (PP & BTG)

Shri S.S. Choudhary
General Manager (R & D)

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PLANTS / UNITS

Bangalore Plant
Shri J.K. Verma
Director

Palakkad Plant
Shri R. Yuva Kumar
Addl. General Manager

Network Systems
Shri D. Saha
General Manager

Rae Bareli Plant
Shri Prabhat Kumar
Addl. General Manager

Naini Plant
Shri M.K. Singh
Addl. General Manager

Srinagar (J & K) Plant
Shri M. M. Sheikh
Additional General Manager

Mankapur Plant
Shri S.P. Tripathi
Addl. General Manager

Business Co-ordination Office, New Delhi
Shri P.K.Gupta
Addl. General Manager

ANNUAL REPORT 2003 - 2004**NOTICE**

NOTICE is hereby given that the FIFTY FOURTH Annual General Meeting of ITI Limited will be held on Wednesday, the 29th September, 2004 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 2004, 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 Pankaj Agrawala who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri J.K.Verma who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution :

"RESOLVED to 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 2004-2005.

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

By Order of the Board
For ITI LIMITED

Place : Bangalore
Date : 31.08.2004

(C.R. PRAKASH)
Company Secretary

ANNUAL REPORT 2003 - 2004**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 Registrar of Members and the Share Transfer Books will remain closed from 22nd September, 2004 to 29th September, 2004 (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 Pankaj Agrawala, Director and Shri J.K.Verma, Director – Bangalore Plant, 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. **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.

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

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

Place : Bangalore
Date : 31.08.2004

(C.R. PRAKASH)
Company Secretary

ANNUAL REPORT 2003 - 2004**TEN YEAR DIGEST***Rs. in Crores*

OPERATING RESULTS	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
Sales including services	1257	1795	2317	2144	2085	1539	1263	1021	783	1037
Accretion/(Decretion) to Stock	(184)	(105)	142	45	97	142	4	(3)	(84)	(51)
Value of Production	1073	1690	2459	2189	2182	1681	1267	1018	699	986
Other Income	6	67	182	151	95	87	155	183	58	83
Direct Materials	792	1074	1458	1174	1157	950	677	595	398	540
Charges on Installation & Maintenance	120	157	116	108	77	40	22	26	4	2
Employees Cost	368	389	404	398	347	331	322	268	265	225
Depreciation	42	45	45	44	42	36	27	30	48	48
Interest	158	156	171	161	153	148	151	187	152	142
Other expenses less charges on Installation & Maintenance	283	310	421	425	481	231	206	160	158	197
Profit for the year	(684)	(374)	26	30	20	32	17	(65)	(268)	(85)
Prior Period Adjustments	(22)	(3)	(2)	(2)	26	(5)	(6)	(23)	(16)	3
Profit Before Tax	(706)	(377)	24	28	46	27	11	(88)	(284)	(82)
Provision for Tax - Deferred Tax	-	(2)	2	-	-	-	-	-	-	-
Add : Provision for tax of earlier years no longer required	-	-	-	-	-	-	4	37	-	-
Profit after Tax	(706)	(375)	22	28	46	27	15	(51)	(284)	(82)
Dividend	-	-	4	4	5	5	-	-	-	-
From 1999-2000 onwards Sales, Production and Other Expenses include Excise duty										
FINANCIAL POSITION	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
Equity	88	88	88	88	88	88	88	88	88	88
Preference Shares	300	100	0	0	0	0	0	0	0	0
Preference Shares - Application	0	200	100	0	0	0	0	0	0	0
Money Received Pending Allotment										
Reserves & Surplus	64	64	97	80	56	38	20	143	148	315
Miscellaneous expenditure not written off	245	148	104	50	6	1	1	11	4	6
Profit and Loss Account-(Debit)	1048	343	-	-	-	21	24	162	117	-
Shareholders' Funds	(841)	(39)	181	118	138	104	83	58	115	397
Shareholders' Funds without considering DRE not written off	(596)	109	285	168	144	105	84	69	119	403
Grant-in-aid	69	93	113	116	120	118	138	113	95	64
Bonds	344	304	322	272	272	272	178	146	119	119
Other borrowings and deferred credit	1414	1121	972	908	788	623	729	811	844	875
Gross Block	1009	1006	986	955	928	885	736	717	697	670
Depreciation	768	747	709	665	627	587	552	527	502	460
Net Block	241	259	277	290	301	298	184	190	195	210
Capital work-in-progress	1	6	12	10	20	17	123	112	62	29
Current Assets, Loans and Advances :										
Inventory	638	871	1048	867	850	733	518	552	534	636
Debtors	1189	1405	1273	1027	989	867	760	614	565	756
Others	267	347	356	187	189	195	224	177	300	427
Total	2094	2623	2677	2081	2028	1795	1502	1343	1399	1819

ANNUAL REPORT 2003 - 2004**TEN YEAR DIGEST (Contd...)****Rs. in Crores**

FINANCIAL POSITION	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
Current Liabilities and Provisions	1356	1414	1381	972	1036	1027	716	624	590	740
Working Capital	738	1209	1296	1109	992	768	786	719	809	1079
Capital Employed (Net Fixed Assets+Working Capital)	979	1468	1573	1399	1293	1066	970	909	1004	1289
Sources of Funds										
Shareholders' Fund	(841)	(39)	181	118	138	104	83	58	115	397
Grant-in-aid	69	93	113	116	120	118	138	113	95	64
Borrowings	1758	1425	1294	1180	1060	895	907	957	963	994
Deferred Tax	-	-	2	-	-	-	-	-	-	-
Total Funds	986	1479	1590	1414	1318	1117	1128	1128	1173	1455
Application of Funds										
Net Fixed Assets	241	259	277	290	301	298	184	190	195	210
Working Capital	738	1209	1296	1109	992	768	786	719	809	1079
Capital Work in progress	1	6	12	10	20	17	123	112	62	29
Investments	5	5	5	5	5	34	35	107	107	137
Total Assets	985	1479	1590	1414	1318	1117	1128	1128	1173	1455
FINANCIAL RATIOS										
Profitability Ratios :										
Profit before interest and tax to capital employed [%]	N.A	N.A	12.40	13.51	15.39	16.42	16.70	10.89	(13.15)	4.65
Profit before tax to sales and Services (%)	N.A	N.A	1.04	1.31	2.21	1.75	0.87	(8.62)	(36.27)	(7.91)
Profit after tax to Shareholders' Funds(%)	N.A	N.A	12.15	23.73	33.33	25.96	18.07	(87.93)	(246.96)	(20.65)
Long term debt to Shareholders' Funds	N.A	N.A	2.15:1	2.74:1	2.27:1	3.07:1	2.93:1	5.54:1	3.02:1	0.85:1
Working Capital Ratios :										
Current Ratio	1.54:1	1.86:1	1.94:1	2.14:1	1.96:1	1.75:1	2.10:1	2.15:1	2.37:1	2.46:1
Working Capital in no. of months of value of Production	8.25	8.58	6.32	6.08	5.46	5.48	7.44	8.48	13.89	13.13
Inventory in no. of months of value of Production	7.14	6.18	5.11	4.75	4.67	5.23	4.91	6.51	9.17	7.74
Debtors(Net of Advances) in terms of months sales and services	9.94	8.39	5.94	5.13	4.40	3.20	4.78	4.83	5.87	6.32
Working capital to total Assets (%)	74.92	81.74	81.51	78.43	75.27	68.76	69.68	63.74	68.97	74.16
Cost of Direct Material to value of Production (%)	73.81	63.55	59.29	53.63	53.02	56.51	53.43	58.45	56.94	54.77
Cost of Direct Material & Charges on Instn to value of Production(%)	85.00	72.78	64.01	58.57	56.55	58.89	55.17	61.00	57.51	54.97