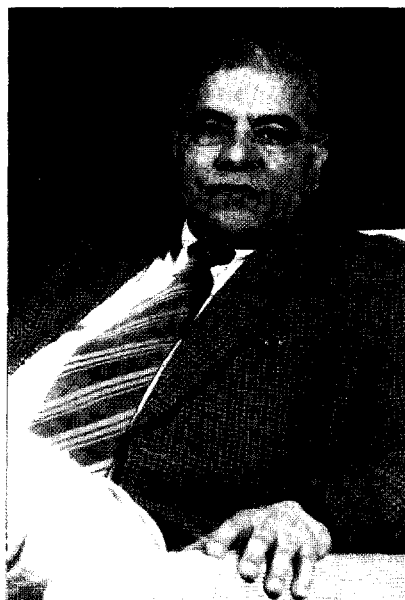


55th ANNUAL REPORT

2004 - 2005

Dear Shareholder,

Your Company has registered an improved performance over the previous year by increasing the turnover to Rs.1389 Cr (Rs. 1257 Cr) and paring down losses considerably to Rs. 310 Cr (Rs. 706 Cr.). Thanks to Government support received during the year, ITI is now better placed to tackle competition. Things are certainly looking up as we take stock of the progress made in the revival plan. The success of technology upgradation and induction, which is a major platform for turnaround, is evident across all locations of ITI.



ITI set a landmark in the country's indigenous production by successfully commissioning the manufacture of GSM mobile equipment facility at Mankapur recently. While a similar facility is being set up at Rae Bareilly to augment the capacity to more than six million lines per year, other Plants like Palakkad and Naini are ready to roll out new technology products to meet the growing demand for new generation equipment and services. At the same time, your Company has not lost sight of the market requirement for wireline equipment, in order to bolster its revenues from its core competency of manufacturing. ITI continues to make inroads in the telecom turnkey services segment, in which it has proven competence firmly established. The total solutions capability of your Company is exemplified by such prestigious projects as the strategic broadband satellite network 'Mercury Flash' which was commissioned recently in Kolkata for the Indian Army.

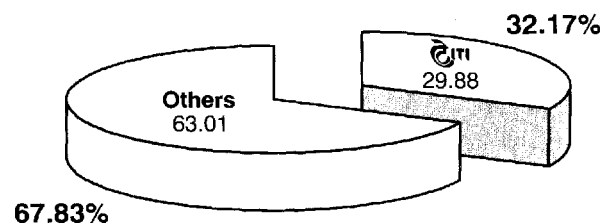
There are sufficient orders on hand — in excess of Rs. 1800 Cr — to take ITI's turnover to a healthy figure. In fact for GSM equipment, which is seen as the backbone of your Company's revival strategy, orders of 18 million lines are expected for West Zone. Nearly five million lines have been planned for manufacture and supply during the current year itself, which should contribute Rs. 1,400 Cr to the projected turnover of your Company. A large part of our human resources is being redeployed in the turnkey projects, in order to maintain schedules.

The abiding investor confidence has been our inspiration to perform against odds and recover lost ground. Your continued trust dear shareholder, is what we solicit in our relentless pursuit to deliver value.

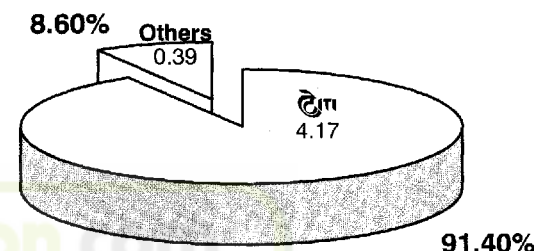
Y.K. Pandey
Chairman & Managing Director

ITI's contribution to National Telecom Infrastructure (1948 - 2005)

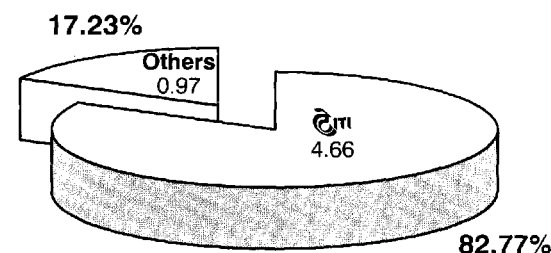
Switching Lines (Million Lines)



Transmission Route (Lakh Km)

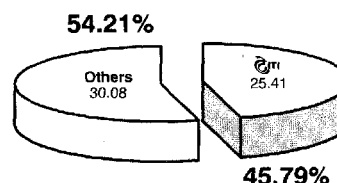


Long Distance Trunk Lines (Million Lines)

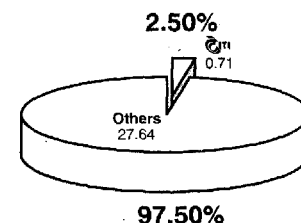


Telephones (Millions)

Fixed



Mobile



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BOARD OF DIRECTORS

Shri Y.K. Pandey
Chairman & Managing Director

Shri J.K. Verma
Director – Production

Shri Pritam Singh
Director – Marketing

Shri S.K. Chatterjee
Director – Human Resources

Lt. Gen Davinder Kumar, PVSM, VSM & Bar, ADC

Report Junction.com

Shri Y.S. Bhawe, IAS

Shri Pankaj Agrawala, IAS

Shri Vijoy Kumar

Shri C.S. Verma
Director - Finance (Upto 31.08.2005)

Smt. Anuradha Mitra
Director (Upto 22.02.2005)

Shri K. Ramaswamy
Company Secretary

LEGAL ADVISERS

M/s. Raj & Reddy, Advocates, Bangalore
M/s. Holla & Holla, Advocates, Bangalore
M/s. AZB Partners, Advocates, Bangalore
M/s. Rao & Joshi & Associates, Advocates, Bangalore

AUDITORS

M/s. John Joseph & Mathew., Bangalore
M/s. Habibullah & Co., Gorakhpur
M/s. Garg Goyal & Co., Rae Bareli
M/s. Santosh Kumar & Co., Naini
M/s. Ramachandran & Ramachandran, Palakkad
M/s. J.S.V.P & CO., 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
UTI Bank Limited
Vijaya Bank
Indian Bank
Canara Bank

MANAGEMENT

CORPORATE OFFICE

Shri. Y.K.Pandey
Chairman & Managing Director

Shri J.K.Verma
Director-Production

Shri Pritam Singh
Director –Marketing

Shri S.K.Chatterjee
Director - HR

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

Shri S.Samantha
Additional Director –PP

Shri A.K.Ray
Additional Director (IA)

Shri R.K.Tikkoo
General Manager- Marketing

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

PLANTS

Bangalore Plant
Shri P.K.Bose
General - Manager

Network Systems
Shri D.Shekar Kumar
General Manager

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

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

Palakkad Plant
Shri A.K.Mehrotra
Addl. General Manager

Rae Bareli Plant
Shri. Tejbir Singh
Addl. General Manager

Srinagar (J&K) Plant
Shri I.A.Khan
Deputy Manager

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

ANNUAL REPORT 2004 - 2005**NOTICE**

NOTICE is hereby given that the FIFTY FIFTH Annual General Meeting of ITI Limited will be held on Wednesday, the 30th November, 2005 at 10.30 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 2005, 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 Y.K.Pandey who retires by rotation and being eligible offers himself for re-appointment.
3. 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 2005-2006.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:
 "RESOLVED that Shri Y.S.Bhave, who was appointed with effect from 22nd February 2005 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".
5. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:
 "RESOLVED that Shri Pritam Singh, who was appointed as Director- Marketing with effect from 31st March 2005 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".
6. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:
 "RESOLVED that Shri S.K.Chatterjee, who was appointed as Director-HR with effect from 19th April 2005 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

Place: Bangalore
 Date: 20-10-2005

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

(K.RAMASWAMY)
 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 November, 2005 to 30th November, 2005 (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 Y.K.Pandey, CMD, ITI will retire by rotation at this Annual General Meeting and being eligible, offers himself 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.3 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. 4 – SPECIAL BUSINESS**

Shri Y.S.Bhave, IAS was appointed as Director on the Board as part time Official Director with effect from 22nd February 2005 in place of Smt. Anuradha Mitra, in pursuance of letter No.U-38014-6/96-FAC dated 22nd February 2005 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri Y.S.Bhave 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 Y.S.Bhave as Director. Hence, the relative Resolution is placed before the Meeting for Members approval.

Shri Y.S.Bhave 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.

ANNUAL REPORT 2004 - 2005**FOR ITEM NO. 5 – SPECIAL BUSINESS**

Shri Pritam Singh was appointed as Director-Marketing with effect from 31st March 2005 by the Board of Directors of the Company in pursuance of letter No.U-38014-2/2004-FAC dated 31st March 2005 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri Pritam Singh 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 Pritam Singh as Director. Hence, the relative Resolution is placed before the Meeting for Members approval.

Shri Pritam Singh 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.Chatterjee was appointed as Director -HR with effect from 19th April 2005 by the Board of Directors of the Company in pursuance of letter No.U-38014-3/2004-FAC dated 19th April 2005 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri S.K.Chatterjee 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 S.K.Chatterjee as Director.

Hence, the relative Resolution is placed before the Meeting for Members approval.

Shri S.K.Chatterjee 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

By Order of the Board
For ITI LIMITED

Place: Bangalore
Date: 20-10-2005

(K.RAMASWAMY)
Company Secretary

ANNUAL REPORT 2004 - 2005



TEN YEAR DIGEST

Rs. in Crores

OPERATING RESULTS	2004-05	2003-04	2002-03	2001-02	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96
Sales including services	1389	1257	1795	2317	2144	2085	1539	1263	1021	783
Accretion/(Decretion) to Stock	(27)	(184)	(105)	142	45	97	142	4	(3)	(84)
Value of Production	1362	1073	1690	2459	2189	2182	1661	1267	1018	699
Other Income	505	6	67	182	151	95	87	155	183	58
Direct Materials	1086	792	1074	1458	1174	1157	950	677	595	398
Charges on Installation & Maintenance	61	120	157	116	108	77	40	22	26	4
Employees Cost	337	368	389	404	398	347	331	322	268	265
Depreciation	32	42	45	45	44	42	36	27	30	48
Finance Expenses	207	179	156	171	161	153	148	151	187	152
Other Expenses less Charges on Installation & Maintenance	440	262	310	421	425	481	231	206	160	158
Profit for the year	(296)	(684)	(374)	26	30	20	32	17	(65)	(268)
Prior Period Adjustments	(14)	(22)	(3)	(2)	(2)	26	(5)	(6)	(23)	(16)
Profit Before Tax	(310)	(706)	(377)	24	28	46	27	11	(88)	(284)
Provision for Tax / Deferred Tax	-	-	(2)	2	-	-	-	-	-	-
Add: Provision for tax of earlier years no longer required	-	-	-	-	-	-	-	4	37	-
Profit after Tax	(310)	(706)	(375)	22	28	46	27	15	(51)	(284)
Dividend	-	-	-	4	4	5	5	-	-	-

From 1999-2000 onwards Sales, Production and Other Expenses include Excise duty

FINANCIAL POSITION	2004-05	2003-04	2002-03	2001-02	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96
Equity	288	88	88	88	88	88	88	88	88	88
Preference Shares	300	300	100	0	0	0	0	0	0	0
Preference Shares - Application Money Received Pending Allotment	0	0	200	100	0	0	0	0	0	0
Reserves & Surplus	64	64	64	97	80	56	38	20	143	148
Miscellaneous expenditure not written off	33	245	148	104	50	6	1	1	11	4
Profit and Loss Account-(Debit)	1358	1048	343	-	-	-	21	24	162	117
Shareholders' Funds	(739)	(841)	(39)	181	118	138	104	83	58	115
Shareholders' Funds without considering DRE not written off	(706)	(596)	109	285	168	144	105	84	69	119
Grant-in-aid	155	69	93	113	116	120	118	138	113	95
Bonds	573	344	304	322	272	272	272	178	146	119
Other borrowings and deferred credit	1057	1414	1121	972	908	788	623	729	811	844
Gross Block	932	1009	1006	986	955	928	885	736	717	697
Depreciation	735	767	747	709	665	627	587	552	527	502
Net Block	197	242	259	277	290	301	298	184	190	195
Capital work-in-progress	4	1	6	12	10	20	17	123	112	62
Current Assets, Loans and Advances :										
Inventory	553	638	871	1048	867	850	733	518	552	534
Debtors	1420	1189	1405	1273	1027	989	867	760	614	565
Others	448	267	347	356	187	189	195	224	177	300
Total Current Assets	2421	2094	2623	2677	2081	2028	1795	1502	1343	1399