

57th ANNUAL REPORT 2006-2007



Dear Shareholder,

The sales of your Company have touched Rs.1818 Cr for the year under review, registering an increase of Rs.69 Cr over that of the previous year. The value of production at Rs.1797 Cr is up by Rs.190 Cr. In the face of steep fall in prices which continued to pose challenges, ITI has achieved reduction in net loss as compared to the year gone by. Manufacturing, administration and selling expenses, employee and financial expenses have been brought down.

During the year, ITI supplied GSM (Global System for Mobile) equipment worth Rs.655 Cr to BSNL West Zone wherein the network of 3 million lines is in final stage of completion. Revenues of Rs.338 Cr from WLL-CDMA (Wireless in Local Loop-Code Division Multiple Access) Infra equipment, Rs.76 Cr from IFWT (Integrated Fixed Wireless Terminals) and Rs.134 Cr from MLLN (Managed Leased Line Network) equipment contributed to the turnover while other products, services and solutions fetched sales of Rs.639 Cr. Your Company has retained its dominant position in the country's telecom turnkey business by winning for the fourth time the coveted Voice & Data 2007 Award for Top Telecom Turnkey Provider, firmly establishing its proven leadership in this segment.

Efforts are on to indigenise inputs for GSM in order to minimize the material procurement costs. Your Company's GSM mobile equipment manufacturing facility at Mankapur, which has been certified for export production, has executed an export order from Alcatel-Lucent for supply of 600 BTS (Base Transceiver System). The migration to GSM 3G environment is on the anvil.

Alive to the emerging techno-commercial needs, ITI has sought several technology alliances from leaders in the field. Major products for which MOUs have been concluded are ADSL (Asynchronous Digital Subscriber Line), WiMAX and GPON (Gigabit Passive Optical Networks). On the R&D front, your Company has developed encryption equipment for the Indian Army. These cover voice, data and 2 Mbps signals over satellite media, 2 Mbps and 34 Mbps signals over radio media and STM1 (Synchronous Transmission Mode) and STM 4 signals over optical media.

The turnaround strategy of ITI is to harness the vast potential in the areas of wireless and personal communications by securing the status of the largest indigenous manufacturer, supplier and builder of GSM and CDM WLL networks by broadbasing its strategic relationship, particularly with customers like BSNL, MTNL and Defence. Thrust in IT networking would form another area of growth. With orders of Rs.1900 Cr in hand and anticipated assistance for working capital, your Company is well poised to meet its MOU target of Rs.4770 Cr for the current fiscal. In our ongoing thrust for revival, we seek your continued support.

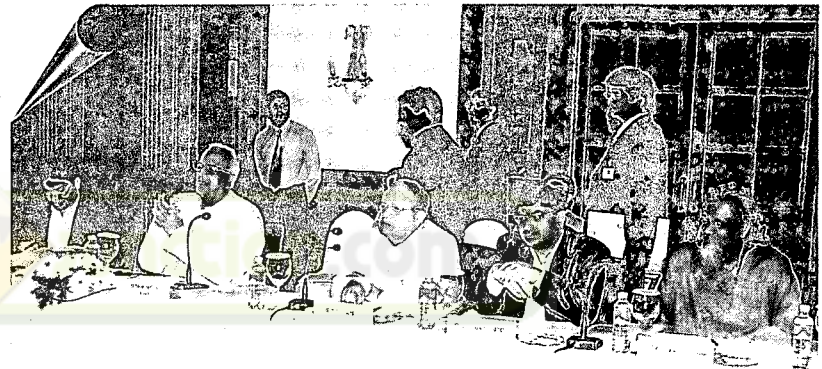
SK Chatterjee

SK Chatterjee
Chairman & Managing Director

VISIT OF PARLIAMENTARY COMMITTEES



Parliamentary Standing Committee on Information Technology chaired by Hon'ble MP Shri Nikhil Kumar Choudhary.



The Department-related Parliamentary Standing Committee on Industry led by Hon'ble Chairman Shri Santosh Bagrodia.



Second Sub-Committee of Parliament on Official Language presided over by Hon'ble Dy. Chairman, Prof. Ramdeo Bhandari.

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BOARD OF DIRECTORS**Shri Y. K. Pandey**

*Chairman & Managing Director
(Upto 31.03.2007)*

Shri Pritam Singh

*Chairman & Managing Director
(from 01.04.2007 to 23.08.2007)*

Shri S.K. Chatterjee

*Chairman & Managing Director
(from 24.08.2007)*

Shri Pritam Singh

Director – Marketing

Shri S.K.Chatterjee

Director– Human Resources (upto 23.08.2007)

Shri Mathew George

Director- Finance (upto 31.07.2007)

Shri Ravi Agarwal

Director-Production

Shri Y.S.Bhave

Director (upto 24.11.2006)

Shri N.P. Singh

Director (Upto 15.12.2006)

Shri Pankaj Agrawala, IAS

Director (Upto 15.12.2006)

Shri R. Bandyopadhyay, IAS

Director (Upto 07.08.2007)

Shri P. K. Tiwari

Director (Upto 07.08.2007)

Lt. Gen. S. P. Sree Kumar, AVSM

Director (from 07.08.2007)

Shri A.K.Srivastava

Director (from 07.08.2007)

**COMPANY SECRETARY****Shri K.T. Mayuranathan****LEGAL ADVISERS****M/s. Holla & Holla, Advocates, Bangalore****M/s. AZB Partners, Advocates, Bangalore****AUDITORS****M/s. John Joseph & Mathew, Bangalore****M/s. DS Shukla & Co., Gorakhpur****M/s. Govind Agrawal & Co., Rae Bareilly****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****Axis Bank Limited****Vijaya Bank****Indian Bank****Canara Bank**

**MANAGEMENT:****CORPORATE OFFICE**

Shri. S.K.Chatterjee
Chairman & Managing Director

Shri Pritam Singh
Director-Marketing

Shri Ravi Agarwal
Director – Production

Shri Chandan Datta
General Manager- HR

Shri R.K. Tikoo
General Manager-Marketing

Shri B.P.Gupta
General Manager- Finance

PLANTS / UNITS / PROJECTS

Bangalore Plant
Shri K.K. Khurana
General - Manager

Naini Plant
Shri A.K. Mehrotra
General - Manager

Mankapur Plant
Shri S.P. Tripathi
General Manager

Palakkad Plant
Shri H.S. Divakara Murthy
General Manager

Rae Bareli Plant
Shri. Tejbir Singh
General Manager

Srinagar (J&K) Plant
Shri I.K. Munshi
Deputy General Manager

Research & Development
Shri D.K. Mallik
General Manager [R&D]

Network Systems Unit
Shri D. Shekar Kumar
General Manager

GSM-BSNL Project, Pune
Shri P.K. Gupta
General Manager

GSM-MTNL Project, Mumbai
Shri K.K. Gupta
Addl. General Manager

Business Co-ordination Office, New Delhi
Shri Rajni K. Agarwal
Addl. General Manager

ANNUAL REPORT 2006 - 2007**NOTICE**

NOTICE is hereby given that the FIFTY SEVENTH Annual General Meeting of ITI Limited will be held on Friday, the 28th September, 2007 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 2007, 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 Pritam Singh who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Ravi Agarwal 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 2007-2008."

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

Place : Bangalore
Date : 01.09.2007

SPECIAL BUSINESS:

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

"RESOLVED that Lt.Gen. S.P. Sree Kumar, AVSM who was appointed with effect from 7th August 2007 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".

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

"RESOLVED that Shri A.K.Srivastava, DDG (AS) who was appointed with effect from 7th August 2007 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".

By Order of the Board
For ITI LIMITED

(K.T.MAYURANATHAN)
Company Secretary

ANNUAL REPORT 2006 - 2007**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 21.09.2007 to 28.09.2007(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 Pritam Singh, Director- Mktg. and Shri Ravi Agarwal, Director-Production of ITI will retire by rotation at this Annual General Meeting and being eligible, offers 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.

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

Place : Bangalore
Date : 01.09.2007

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**For Item No. 5 – Special Business**

Lt. Gen. S.P.Sree Kumar, AVSM, Ministry of Defence, was appointed as Director on the Board as part-time Official Director with effect from 7th August 2007 in place of Shri R. Bandyopadhyay, in pursuance of letter No.U-38014-6/96-FAC dated 7th August 2007 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Lt. Gen. S.P.Sree Kumar 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 Lt. Gen. S.P. Sree Kumar as Director. Hence, the relative Resolution is placed before the Meeting for Members approval.

Lt. Gen. S.P.Sree Kumar 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 A.K. Srivastava, DDG(AS), was appointed as Director on the Board as part-time Official Director with effect from 7th August 2007 in place of Shri P.K.Tiwari, in pursuance of letter No.U-38014-6/96-FAC dated 7th August 2007 issued by Department of Telecommunications. According to the provisions of Section 260 of the Companies Act, 1956, Shri A.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 A.K. Srivastava as Director. Hence, the relative Resolution is placed before the Meeting for Members approval.

Shri A.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.

By Order of the Board
For ITI LIMITED

(K.T.MAYURANATHAN)
COMPANY SECRETARY

ANNUAL REPORT 2006 - 2007**TEN YEAR DIGEST****Rs. in Crores**

OPERATING RESULTS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Sales including services	1818	1749	1389	1257	1795	2317	2144	2085	1539	1263
Accretion/(Decretion) to Stock	(21)	(142)	(27)	(184)	(105)	142	45	97	142	4
Value of Production	1797	1607	1362	1073	1690	2459	2189	2182	1681	1267
Other Income	173	139	505	6	67	182	151	95	87	155
Direct Materials	1391	1140	1086	792	1074	1458	1174	1157	950	677
Charges on Installation & Maintenance	78	75	61	120	157	116	108	77	40	22
Employees Cost	365	382	337	368	389	404	398	347	331	322
Depreciation	38	36	32	42	45	45	44	42	36	27
Financing Expenses	223	225	207	179	156	171	161	153	148	151
Other Expenses less Charges on Installation & Maintenance	239	314	440	262	310	421	425	481	231	206
Profit for the year	(364)	(426)	(296)	(684)	(374)	26	30	20	32	17
Prior Period Adjustments	(40)	(2)	(14)	(22)	(3)	(2)	(2)	26	(5)	(6)
Profit Before Tax	(404)	(428)	(310)	(706)	(377)	24	28	46	27	11
Provision for Tax / Deferred Tax/ FBT	1	1	-	-	(2)	2	-	-	-	-
Add: Provision for tax of earlier years no longer required	0	-	-	-	-	-	-	-	-	4
Profit after Tax	(405)	(429)	(310)	(706)	(375)	22	28	46	27	15
Dividend	-	-	-	-	-	4	4	5	5	-

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

FINANCIAL POSITION	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Equity	288	288	288	88	88	88	88	88	88	88
Preference Shares	300	300	300	300	100	0	0	0	0	0
Preference Shares - Application	0	0	0	0	200	100	0	0	0	0
Money Received Pending Allotment	-	-	-	-	-	-	-	-	-	-
Reserves & Surplus	64	64	64	64	64	97	80	56	38	20
Revaluation Reserves	2527	2654	-	-	-	-	-	-	-	-
Miscellaneous expenditure not written off	0	8	33	245	148	104	50	6	1	1
Profit and Loss Account-(Debit)	2192	1787	1358	1048	343	-	-	-	21	24
Shareholders' Funds with Revaluation Reserve	987	1511	(739)	(841)	(39)	181	118	138	104	83
Shareholders' Funds without considering DRE not written off and Revaluation Reserve	(1540)	(1135)	(706)	(596)	109	285	168	144	105	84
Grant-in-aid	91	127	155	69	93	113	116	120	118	138
Bonds	416	409	573	344	304	322	272	272	272	178
Other borrowings and deferred credit	1326	1572	1057	1414	1121	972	908	788	623	729
Gross Block	3644	3631	932	1009	1006	986	955	928	885	736
Depreciation	933	768	735	767	747	709	665	627	587	552
Net Block	2711	2863	197	242	259	277	290	301	298	184
Capital work-in-progress	2	5	4	1	6	12	10	20	17	123
Current Assets, Loans and Advances :										
Inventory	425	412	553	638	871	1048	867	850	733	518
Debtors	1708	1662	1420	1189	1405	1273	1027	989	867	760
Others	398	522	448	267	347	356	187	189	195	224
Total Current Assets	2531	2596	2421	2094	2623	2677	2081	2028	1795	1502

ANNUAL REPORT 2006 - 2007**TEN YEAR DIGEST (Contd..)****Rs. in Crores**

FINANCIAL POSITION	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Current Liabilities and Provisions	2425	1846	1581	1356	1414	1381	972	1036	1027	716
Working Capital	106	750	840	738	1209	1296	1109	992	768	786
Capital Employed (Net Fixed Assets+Working Capital)	2817	3613	1037	980	1468	1573	1399	1293	1066	970
Sources of Funds:										
Shareholders' Fund	987	1511	(739)	(841)	(39)	181	118	138	104	83
Grant-in-aid	91	127	155	69	93	113	116	120	118	138
Borrowings	1742	1981	1630	1758	1425	1294	1180	1060	895	907
Deferred Tax	-	-	-	-	-	2	-	-	-	-
Total Funds	2820	3619	1046	986	1479	1590	1414	1318	1117	1128
Application of Funds:										
Net Fixed Assets	2711	2863	197	242	259	277	290	301	298	184
Working Capital	106	750	840	738	1209	1296	1109	992	768	786
Capital Work in progress	2	5	4	1	6	12	10	20	17	123
Investments	1	1	5	5	5	5	5	5	34	35
Total Assets	2820	3619	1046	986	1479	1590	1414	1318	1117	1128
FINANCIAL RATIOS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Profitability Ratios										
Profit before interest and tax to capital employed [%]	N.A	N.A	N.A	N.A	N.A	12.40	13.51	15.39	16.42	16.70
Profit before tax to sales and Services (%)	N.A	N.A	N.A	N.A	N.A	1.04	1.31	2.21	1.75	0.87
Profit after tax to Shareholders' Funds(%)	N.A	N.A	N.A	N.A	N.A	12.15	23.73	33.33	25.96	18.07
Long term debt to Shareholders' Funds including Revaluation Reserves	0.52:1	0.34:1	N.A	N.A	N.A	2.15:1	2.74:1	2.27:1	3.07:1	2.93:1
Working Capital Ratios:										
Current Ratio	1.04:1	1.41:1	1.53:1	1.54:1	1.86:1	1.94:1	2.14:1	1.96:1	1.75:1	2.10:1
Working Capital in no. of months of value of Production	0.71	5.60	7.40	8.25	8.58	6.32	6.08	5.46	5.48	7.44
Inventory in no. of months of value of Production	2.84	3.08	4.87	7.14	6.18	5.11	4.75	4.67	5.23	4.91
Debtors(Net of Advances) in in terms of months sales and services	7.80	9.79	10.62	9.94	8.39	5.94	5.13	4.40	3.20	4.78
Working capital to total Assets (%)	3.76	20.72	80.31	74.85	81.74	81.51	78.43	75.27	68.76	69.68
Cost of Direct Material to value of Production incl. Excise Duty (%)	77.41	70.94	79.74	73.81	63.55	59.29	53.63	53.02	56.51	53.43
Cost of Direct Material & Charges on Installation to value of Production incl. Excise Duty (%)	81.75	75.61	84.21	85.00	72.84	64.01	58.57	56.55	58.89	55.17