



59TH ANNUAL REPORT 2008-2009



Dear Shareholder,

It gives me immense pleasure in welcoming you all to the 59th Annual General Meeting of your Company. The Notice related to this Meeting, Directors' Report,

Audited Annual Accounts together with the Auditor's Report, Comments of the Comptroller and Auditor General of India on the accounts of the Company are already with you and with your permission, I shall take them as read. Further, I am pleased to inform you that the Company has complied with the Guidelines on Corporate Governance for CPSEs.

The year 2008-09 has been critical for your Company. It achieved a growth of more than 40% in this fiscal, compared to its sales performance during 2007-08. There have been many redeeming features in the financial year 2008-09, especially on the production front. Your Company, despite severe financial constraints, achieved a turnover of Rs. 1,741 Crores. Still, the disturbing feature of the year gone by was the loss incurred by your Company to the tune of Rs.668 Crores. This happened primarily due to legacy fixed expenses, financing expenses including FE Variations on account of Dollar value fluctuations and manpower-associated salary and social welfare costs.

However, I am extremely happy to inform all of you that due to the concerted efforts made by all concerned to garner the support of the Government for "Revival of ITI", your Company received CCEA approval for the financial package from the Government. With this, the Government has reduced the liabilities of your Company to the tune of Rs. 2,820 Crores, besides according in-principle approval for giving additional working margin of Rs. 180 Crores. Thanks to the timely support of Ministry of Communications & IT which sanctioned Rs. 125 Crores, your Company could pay the salary of its employees throughout the year.

All these developments, the cleaning of balance sheet in particular, boosted the confidence of your Company by releasing the Cash Credit (CC) and Letter of Credit (LC) limits thereby facilitating availability of working capital. We need to move ahead and justify the faith reposed in us by the Government. Your Company is determined to do well in the coming months by restructuring its business portfolio in the plants, besides concentrating on the Company's traditional manufacturing strengths.

Your Company, under the guidance of Ministry, with a view to have stellar role in the "Mission Broadband" scheme formulated by Government of India, is envisaging setting up of Joint Venture Companies (JVCs) in Rae Bareilly (WiMAX and CPE), Naini (GPON & GEON) and Bangalore (IP Core Systems) as a part of the "Revival Plan of ITI". A Consultant has already been appointed for facilitating the formation of JVC by ITI. The JVC partner will have the controlling stake in the JVC. The Consultant has already visited these three plants. Based on the assessment of the Consultant, the land and infrastructure available in these plants would be allocated to the JVC to be formed. The manpower from your Company would be suitably employed in the JVC if they so desire. The Ministry is periodically reviewing the progress of ITI in setting up the JVC. The notification calling for EOI is being released shortly.

Given the security threat perceptions in India, the Government has envisaged the defense sector projects of huge business potential. The proposed Unique Identity Card (UID) Project for all citizens of the country is one of them. The project is vital for your Company since it offers good business. Our experience gained in the implementation of MNID project, SIM card manufacturing at Palakkad and our capability in encryption technology gives us the confidence in fulfilling our role in this prestigious project.

In June 2009, your Company set up a state-of-the-art Data Center in Bangalore Plant in association with Mumbai based Trimax, which is the first of its kind among PSUs in India. Depending upon the growth in Data Center business we believe that additional Data Centers could also be established in other Units of ITI. Already ITI personnel across the country have been imparted training in the Data Center concepts. Your Company hopes to exploit the immense business potential available in the Data Center segment, especially in the area of E-Governance by marketing the facilities available in ITI Data Center.

The current year presents a tremendous growth for your Company. The MoU target for the year 2009-10 has been fixed at an unprecedented highest level of Rs. 5,762 Crores. With a confirmed order book position of about Rs. 6,800 Crores, I am confident your Company will achieve the MoU target and gain the "Excellent Rating" for 2009-10. The GSM Infrastructure Projects at BSNL West Zone, BSNL South Zone and MTNL-Mumbai contribute more than 60% of the MOU Target. The manufacturing activities at Mankapur and Rae Bareilly for GSM BTS have to be fully geared up to play a significant role in achieving the targets vis-à-vis timely delivery of GSM BTS and meeting the expectations of our prime customers BSNL and MTNL. Similarly, Naini has to play a significant role in supply of Optical Fiber equipment. Successful deployment of GPON Infrastructure Equipment in BSNL Network would go a long way in enhancing the credibility of ITI in the eyes of its customers. As on end August, the Company has already achieved a turn-over of Rs. 1,719 Crores. I am sure that with the concerted efforts of all the concerned in your Company, more positive developments will take place in near future.

I believe that the "Financial Package" granted to us by the Government presents a golden opportunity for ITI to reinvent and reorganize. On behalf of the Board and myself, I would like to convey my sincere gratitude to the Government of India, Department of Telecommunications for giving your Company a new lifeline. I also convey my thanks to BSNL, MTNL, all Departments of Central and State Governments, Defence and other valued Customers, Depositors, Bond holders, Banks, Financial institutions, Collaborators, Planning Commission, Standing Conference of Public Enterprises (SCOPE), and Standing Committee on Communications & IT for their continued co-operation and support. I extend my sincere thanks to all the employees and shareholders for their full support and understanding

S.K. Chatterjee
Chairman & Managing Director

Note : This does not purport to be a record of the proceedings of the Annual General Meeting ortjunction.com

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BOARD OF DIRECTORS

Shri S.K. Chatterjee

Chairman & Managing Director

Shri Ravi Agarwal

Director-Production

Shri Tejbir Singh

Director – Marketing

Shri B. P. Gupta

Director – Finance

Shri K. K. Khurana

Director–Human Resources

Lt. Gen. P. Mohapatra, SO-in-C

Director (w.e.f 19.09.2008)

Lt.Gen. S. P. Sree Kumar

Director (up to 01.08.2008)

Shri A. K. Srivastava

Director

Shri C. K. Koshy, IAS (Retd.)

Special Director (appointed by BIFR)

Shri A. K. Jain

Independent Director

Shri V. H. Ron

Independent Director

Shri A. S. Bansal

Independent Director

Shri Keshav Saran

Independent Director

Shri B. Swarup

Independent Director (up to 21.12.2008)

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COMPANY SECRETARY

Shri K. T. Mayuranathan

LEGAL ADVISERS

M/s. Holla & Holla, Advocates, Bangalore & Others

AUDITORS

M/s. Karra & Company, Bangalore

M/s. Rajendra Puneet & Associates & Co., Allahabad

M/s. D. S. Shukla & Co., Mankapur

M/s. Varier & Associates, Palakkad

M/s. Govind Agrawal & Co., Rae Bareli

M/s. Rashid Associates, 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

IndusInd Bank Limited

Axis Bank Limited

Vijaya Bank

Indian Bank

Canara Bank

ANNUAL REPORT 2008 - 2009**MANAGEMENT:****CORPORATE OFFICE****Shri S. K. Chatterjee***Chairman & Managing Director***Shri Ravi Agarwal***Director – Production***Shri Tejbir Singh***Director – Marketing***Shri B. P. Gupta***Director – Finance***Shri K. K. Khurana***Director – Human Resources***Shri M. K. Das, IPS***Chief Vigilance Officer***Shri K. T. Mayuranathan***Company Secretary***Shri R. K. Agarwal***General Manager - Marketing***Shri K. K. Gupta***General Manager - HR & GSM - SZ***Shri S. K. Tikoo***General Manager - Finance***PLANTS / UNITS / PROJECTS***Bangalore Plant***Shri Ramesh K. Murthy***General Manager**Naini Plant***Shri T. Usmani***General Manager**Rae Bareli Plant***Shri N. N. Bala***General Manager**Palakkad Plant***Shri Sanjeev Gupta***General Manager**Mankapur Plant***Shri R. K. Purwar***Addl. General Manager**Srinagar (J & K) Plant***Shri I. K. Munshi***Additional General Manager**Network Systems Unit***Shri Sukumar Mukharjee***General Manager**Research & Development***Shri A. M. Uniyal, Lt. Col. (Retd.)***General Manager [R & D]**GSM - Projects, Pune***Shri P. K. Gupta***Executive Director**GSM - Pune***Shri K. R. Agarwal***General Manager - Finance**GSM - MTNL Project, Mumbai***Shri Abhay Gupta***General Manager**Business Co-ordination Office, New Delhi***Shri A.K.Tiwari***Addl. General Manager*

ANNUAL REPORT 2008 - 2009**NOTICE**

NOTICE is hereby given that the FIFTY NINTH Annual General Meeting of ITI Limited will be held on Wednesday, the 30th September, 2009 at 11.30 a.m. at BANGALORE TAMIL SANGAM No.59, Annaswamy Mudaliar Road, Bangalore-560 042 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the Balance Sheet as at 31st March 2009, 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 Keshav Saran who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri A.S.Bansal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri A.K.Jain who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or

without modifications, the following as an Ordinary Resolution:

"RESOLVED to authorize 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 2009-2010."

SPECIAL BUSINESS:

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

"RESOLVED that Lt. Gen. P. Mohapatra, So-in-C, Ministry of Defence who was appointed with effect from 19th September 2008 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."

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

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

Place : Bangalore
Date : 29.07.2009

(K. T. MAYURANATHAN)
Company Secretary

ANNUAL REPORT 2008 - 2009**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 22.09.2009 to 30.09.2009(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 Keshav Saran, Director, Shri A.S.Bansal, Director and Shri A.K.Jain, Director of 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.5 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.

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

Item No. 6 - Special Business

Lt.Gen. P.Mohapatra, So-in-C, Ministry of Defence was appointed as Part-time Director on the Board with effect from 19th September 2008 vide letter No.U-38014-6/96-FAC dated 19.09.2008 issued by Government of India, Dept. of Telecommunications, New Delhi. His appointment was agreed by the Board in the Meeting held on 30.10.2008 and he 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. P.Mohapatra as director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

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

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

Place : Bangalore
Date : 29.07.2009

(K. T. MAYURANATHAN)
Company Secretary

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TEN YEAR DIGEST

Rs. in Crores

OPERATING RESULTS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Sales including services	1741	1210	1818	1749	1389	1257	1795	2317	2144	2085
Accretion/(Decretion) to Stock	21	(4)	(21)	(142)	(27)	(184)	(105)	142	45	97
Value of Production	1762	1206	1797	1607	1362	1073	1690	2459	2189	2182
Other Income	176	426	173	139	505	6	67	182	151	95
Direct Materials	1476	884	1391	1140	1086	792	1074	1458	1174	1157
Charges on Installation & Maintenance	75	61	78	75	61	120	157	116	108	77
Employees Cost	401	383	365	382	337	368	389	404	398	347
Depreciation	27	29	38	36	32	42	45	45	44	42
Financing Expenses	292	281	223	225	207	179	156	171	161	153
Other Expenses less Charges on Installation & Maintenance	313	290	239	314	440	262	310	421	425	481
Profit for the year	(646)	(296)	(364)	(426)	(296)	(684)	(374)	26	30	20
Prior Period Adjustments	(22)	(61)	(40)	(2)	(14)	(22)	(3)	(2)	(2)	26
Profit Before Tax	(668)	(357)	(404)	(428)	(310)	(706)	(377)	24	28	46
Provision for Tax / Deferred Tax / FRB	-	1	1	1	-	-	(2)	2	-	-
Add: Provision for Tax of earlier years no longer required	-	-	-	-	-	-	-	-	-	-
Profit after Tax	(668)	(358)	(405)	(429)	(310)	(706)	(375)	22	28	46
Dividend	-	-	-	-	-	-	-	4	4	5

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

FINANCIAL POSITION	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Equity	288	288	288	288	288	88	88	88	88	88
Preference Shares	300	300	300	300	300	300	100	0	0	0
Preference Shares – Application Money Received Pending Allotment	0	0	0	0	0	0	200	100	0	0
Reserves & Surplus	73	64	64	64	64	64	64	97	80	56
Revaluation Reserves	2473	2499	2527	2654	-	-	-	-	-	-
Miscellaneous expenditure not written off	0	0	0	8	33	245	148	104	50	6
Profit and Loss Account - (Debit)	3219	2551	2192	1787	1358	1048	343	-	-	-
Net Worth Funds with Revaluation Reserve	(85)	600	987	1511	(739)	(841)	(39)	181	118	138
Net Worth without considering DRE not written off and Revaluation Reserve	(2558)	(1899)	(1540)	(1135)	(706)	(596)	109	285	168	144
Grant-in-aid	81	86	91	127	155	69	93	113	116	120
Bonds	456	442	416	409	573	344	304	322	272	272
Other borrowings and deferred credit	1688	1789	1326	1572	1057	1414	1121	972	908	788
Gross Block	3679	3657	3644	3631	932	1009	1006	986	955	928
Depreciation	1040	987	933	768	735	767	747	709	665	627
Net Block	2639	2670	2711	2863	197	242	259	277	290	301
Capital work-in-progress	2	1	2	5	4	1	6	12	10	20
Current Assets, Loans and Advances :										
Inventory	403	371	425	412	553	638	871	1048	867	850
Debtors	2268	1825	1708	1662	1420	1189	1405	1273	1027	989
Others	350	354	398	522	448	267	347	356	187	189
Total Current Assets	3021	2550	2531	2596	2421	2094	2623	2677	2081	2028

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TEN YEAR DIGEST

Rs. in Crores

FINANCIAL POSITION	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Current Liabilities and Provisions	3523	2305	2425	1846	1581	1356	1414	1381	972	1036
Working Capital	(502)	245	106	750	840	738	1209	1296	1109	992
Capital Employed (Net Fixed Assets + Working Capital)	2137	2915	2817	3613	1037	980	1468	1573	1399	1293
Sources of Funds:										
Shareholders' Fund	(85)	600	987	1511	(739)	(841)	(39)	181	118	138
Grant-in-aid	81	86	91	127	155	69	93	113	116	120
Borrowings	2144	2231	1742	1981	1630	1758	1425	1294	1180	1060
Deferred Tax	-	-	-	-	-	-	-	2	-	-
Total Funds	2140	2917	2820	3619	1046	986	1479	1590	1414	1318
Application of Funds:										
Net Fixed Assets	2639	2670	2711	2863	197	242	259	277	290	301
Working Capital	(502)	245	106	750	840	738	1209	1296	1109	992
Capital Work in Progress	2	1	2	5	4	1	6	12	10	20
Investments	1	1	1	1	5	5	5	5	5	5
Total Assets	2140	2917	2820	3619	1046	986	1479	1590	1414	1318
FINANCIAL RATIOS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Profitability Ratios										
Profit before interest and tax to capital employed (%)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	12.40	13.51	15.39
Profit before tax to sales and Services (%)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.04	1.31	2.21
Profit after tax to Shareholders' Funds(%)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	12.15	23.73	33.33
Long term debt to Shareholders' Funds including Revaluation Reserves	N.A.	0.90:1	0.52:1	0.34:1	N.A.	N.A.	N.A.	2.15:1	2.74:1	2.27:1
Working Capital Ratios:										
Current Ratio	0.86:1	1.11:1	1.04:1	1.41:1	1.53:1	1.54:1	1.86:1	1.94:1	2.14:1	1.96:1
Working Capital in No. of months of value of Production	(3.42)	2.44	0.71	5.60	7.40	8.25	8.58	6.32	6.08	5.46
Inventory in No. of months of value of Production	2.74	3.69	2.84	3.08	4.87	7.14	6.18	5.11	4.75	4.67
Debtors (Net of Advances) in terms of months sales and services	7.21	12.84	7.80	9.79	10.62	9.94	8.39	5.94	5.13	4.40
Working capital to total Assets (%)	(23.46)	8.40	3.76	20.72	80.31	74.85	81.74	81.51	78.43	75.27
Cost of Direct Material to value of Production incl. Excise Duty (%)	83.77	73.30	77.41	70.94	79.74	73.81	63.55	59.29	53.63	53.02
Cost of Direct Material & Charges on Insttn. to value of Production incl. Excise Duty (%)	88.02	78.36	81.75	75.61	84.21	85.00	72.84	64.01	58.57	56.55
Growth Ratios :										
Annual growth in value of Production (%)	46.10	(32.89)	11.82	17.99	26.93	(36.51)	(31.27)	12.33	0.32	29.80
Annual growth in Gross Block excluding Revaluation Reserve (%)	2.19	1.31	1.33	4.83	N.A.	0.30	2.03	3.25	2.91	4.86
OTHER STATISTICS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Turnover composition:										
To DOT / BSNL	1507	806	1525	1448	998	1007	1285	2013	1927	1694
Others	234	404	293	301	391	250	510	304	217	391
Total	1741	1210	1818	1749	1389	1257	1795	2317	2144	2085
Value added	260	322	384	444	259	260	585	965	980	993
No. of Employees as on 31 st March	12556	13045	13415	14257	14635	15221	19692	21518	22914	23567
Value Added per Employee (Rs.)	203117	243386	277537	307352	173499	148942	283912	434372	421678	418000
Value of Production per Employee (Rs.)	1376509	911565	1298786	1112419	912379	614671	820189	1106860	941890	918505

[Figures in brackets indicate negative figures]