



ITI LIMITED



61st ANNUAL REPORT 2010 - 2011



Dear Shareholders,

Welcome to the 61st Annual General Meeting of ITI Ltd. 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 financial year, 2010-11 had been a mixed bag for your Company. We achieved good financial results but ended the year with lower sales revenues when compared to FY 2009-10. Your Company reported a net loss of Rs. 358 crores in the year 2010-11 which is lowest ever loss reported by ITI in the last nine years (excluding grants), i.e. from 2002-03 to 2010-11. The net loss for the financial year 2010-11 has come down by 22 % as against the corresponding period of the previous year when the Company registered a net loss of Rs. 459 crores.

ITI's expenditure in important areas like employee cost, financing expenses etc came down during 2010-11 as compared to 2009-10. The Company was able to reduce the expenses on all fronts. However, the sales declined in 2010-11 as orders from the major customers BSNL and MTNL got squeezed.

However, it is a matter of pleasure that efforts to look at opportunities beyond BSNL and MTNL started bearing positive results. ITI and Registrar General of India (RGI) signed an agreement on National Population Register (NPR) project recently. The prestigious project, under the Ministry of Home Affairs, is being executed by ITI Palakkad as a consortium with BEL and ECIL. The duration of the project is about 18 months. ITI has received an order from Ministry of Rural Development for conducting the socio-economic survey of 40 crore population. The scope of the project includes door-to-door data collection in bilingual language by using Hand Held Device, managing the data collection centers at the Tehsil level, generation of soft copy of draft and final list, up-loading of the data to the NIC Server and scheduling of filed activities in consultation with the State officials for the door-to-door data entry. The Palakkad Plant is executing the project and will be supported by other Plants and offices for the overall implementation of the project across the country. ITI Palakkad is also looking forward to strengthen its ties with Indian Space Research Organization (ISRO) by working on some of their projects.

During the year, ITI and Centre for Development of Telematics (C-DOT) signed an agreement to evaluate, discuss and negotiate contractual relationship concerning the Transfer of Technology for Gigabit Passive Optical Network (G-PON) System. The co-operation in this product line will be used for developing indigenous manufacturing of the product in ITI. ITI and C-DOT have developed wide range of land line exchanges for the national network which is a success story for both the organizations.

During the year, ITI made its entry into the power reforms sector by winning the prestigious order from Tamil Nadu Electricity Board (TNEB) for setting up of IT infrastructure for collection of baseline energy and revenue data of the identified towns and setting up of Data Centers and customer care center. The objective is to establish baseline data systems, IT applications for energy accounting and auditing, IT based consumer care services along with common requirements and services for covering the entire Restructured Accelerated Power Development Reforms Program (R-APDRP) Scheme covering 110 towns across Tamil Nadu.

Your Company's Regional Office, Hyderabad bagged an order from Advanced Numerical Research and Analysis Group (ANURAG), DRDO for upgradation of the Centre for High Performance Computing and Research (CHITRA) computing facility. ANURAG's computer is placed at CHITRA. The cluster of computers (280 nodes) enhances high level performance computing facility in the country which includes design for aircraft and airborne system simulation, molecular modeling and bio informatics applications.

ITI's prestigious ASCON III project, started in 2004, is nearing completion and the Company is expecting the completion certificate from the customer very soon.

ITI's Bangalore Plant is looking forward to produce and market high quality organic gas. Known as "Serigas", it can be connected to standard cooking gas stove and can be used for cooking and for other thermal applications. Your Company is happy to be associated in this Green Venture and hopeful that it succeeds. ITI has also shown interest in the Government of India's semiconductor fabs project as the Company has resources in terms of land, infrastructure and also the manpower to undertake such projects.

It is matter of pride that ITI bagged the "Top Telecom Turnkey Company of the Year 2011" award from Voice and Data, an influential Indian communications magazine. Such awards should boost your Company's morale.

But all this is not enough. ITI's order-book position needs to improve much more to achieve better results and even possible turn-around in next two years. Your Company has been making losses for the last several years. We have been discussing various issues concerning financial, production, R&D, HR challenges and austerity measures that are necessary in the circumstances.

We are trying our best for new business opportunities in defense, banking, solar, LED lighting and railways. We have to reduce our over-dependency on BSNL and MTNL and concentrate on diversification of products to improve the Company's bottom-line. The thrust areas of ITI's MoU signed recently with DoT aims at ITI coming back to profits. The Company is also required to adhere to implementation schedules of all the orders bagged by it and reduce the liquidated damages (LD).

I and my team are happy to inform you that ITI's revival proposal is with the Board for Industrial & Financial Reconstruction (BIFR). The Operating agency for Draft Rehabilitation Scheme (DRS) is State Bank of India. In case the proposal is approved and accepted by the Government, our priority will be to revive all our manufacturing units. BIFR has put ITI case on the fast track.

The Ministry of Communications and IT has also formed a committee to develop business synergy between the PSUs and autonomous organizations under its administrative control for better financial health of these organizations i.e. BSNL, MTNL, ITI, C-DOT and C-DAC. We see a thrust on the indigenous equipment manufacturing and have lot of hope in the new telecom policy being formulated by the Government.

I am grateful to the Government of India, Department of Telecommunications, Telecom Commission, BSNL, MTNL, TCIL, all departments of Central and State Governments, Defence and other valued customers, depositors, bond holders, banks, financial institutions, overseas collaborators, Auditors, Committee on Public Undertakings (COPU), Standing Committee on Information Technology and Standing Conference of Public Enterprises (SCOPE) for their continued co-operation and support. I also take this opportunity to extend my thanks to all the employees and shareholders for their support and understanding.

K. L. Dhingra

Chairman and Managing Director

NB: This does not purport to be a record of the proceedings of the 61st Annual General Meeting.

CONTENTS

Description	Page No.
Board of Directors	3
Management	5
Notice	6
Ten Year Digest	8
Figures at a glance	11
Directors' Report	14
Significant Accounting Policies	36
Annual Accounts	39
Auditors' Report	72
Comments of the C&AG of India	77

BOARD OF DIRECTORS**Shri K. L. Dhingra**

Chairman and Managing Director
(from 07.04.2010)

Shri B.P. Gupta

Director – Finance (upto 31.01.2011)

Shri K.K. Khurana

Director–Human Resources
(upto 31.03.2011)

Shri R.K. Agarwal

Director–Marketing

Shri K. K. Gupta

Director –Production (from 01.05.2010)

Shri Ravi Khandelwal

Director – Finance (from 05.03.2011)

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

Director (Govt. Nominee)

Shri A.K. Srivastava

Director (Govt. Nominee) (upto 31.07.2011)

Shri N.K. Srivastava

Director (Govt. Nominee)
(from 01.08.2011)

Shri A.K. Jain

Independent Director (Upto July 2011)

Shri V.H.Ron

Independent Director (Upto July 2011)

Shri A.S.Bansal

Independent Director (Upto July 2011)

Shri Keshav Saran

Independent Director (Upto July 2011)

Prof. M. Balakrishnan

Independent Director

Shri T.S. Narayanasami

Independent Director

Dr. S.K. Chaudhuri

Independent Director

COMPANY SECRETARY

Ms Rachana Choudhary
(from 21.07.2010)

LEGAL ADVISERS

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

AUDITORS

M/s. Karra & Company, Bangalore
M/s. S. R. Gupta & Co., Naini, Allahabad
M/s. Habibullah & Co., Mankapur
M/s. Varier & Associates, Palakkad
M/s. S. C. Singh & 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
Indus Ind Bank Limited
Axis Bank Limited
Vijaya Bank
Indian Bank
Canara Bank

MANAGEMENT :

CORPORATE OFFICE

Shri K. L. Dhingra
Chairman and Managing Director

Shri R. K. Agarwal
Director- Marketing

Shri K.K. Gupta
Director – Production

Shri Ravi Khandelwal
Director - Finance

Shri R. Venkataraman, IRS
Chief Vigilance Officer

Shri S. K. Tikoo
General Manager - Internal Audit

Ms Rachana Choudhary
Company Secretary

PLANTS / UNITS / PROJECTS

Bangalore Plant
Shri Ramesh K Murthy
General Manager

Srinagar (J & K) Plant
Shri D.K. Dullu
Deputy General Manager

Naini Plant
Shri P. K. Gupta
General Manager

Rae Bareli Plant
Shri S. K. Mehra
General Manager

Palakkad Plant
Shri Gopu S.
Addl. General Manager

Mankapur Plant
Shri R.K. Purwar
General Manager

Network Systems Unit
Shri N.K. Bhattacharya
Addl. General Manager

Research & Development
A.M. Uniyal, Lt.Col.(Retd.)
General Manager [R&D]

GSM-Projects, Pune
Shri G.C. Pathak
Addl. General Manager

GSM – Mumbai
Shri A.K. Matkari
Addl. General Manager

Corporate Marketing
Shri A.K. Sultan
Addl. General Manager

Business Co-ordination Office,
New Delhi
Shri Rajiv Seth
Deputy General Manager

NOTICE

NOTICE is hereby given that the SIXTY FIRST Annual General Meeting of ITI Limited will be held on Wednesday, the 28th September, 2011 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 2011, 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 T.S. Narayanasami who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. S.K. Chaudhuri who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri R.K. Agarwal 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 of Statutory and Branch auditors of the Company to be appointed by Comptroller and Auditor General of India for the financial year 2011-2012."

SPECIAL BUSINESS:

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

"RESOLVED that Shri Ravi Khandelwal, who was appointed with effect from 5th March, 2011 as a Director- Finance 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."

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

"RESOLVED that Shri N.K. Srivastava, who was appointed with effect from 1st August, 2011 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: 12.08.2011

sd/-
(RACHANA CHOUDHARY)
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 21.09.2011 to 28.09.2011(both days inclusive).
3. Members are requested to advise the Share Transfer Agents, M/s. Integrated Enterprise (India) Ltd. (formerly 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 T.S. Narayanasami, Director, Dr. S. K. Chaudhuri, Director and Shri R.K. Agarwal, 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 Ministry of Corporate Affairs vide Circular No. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 has taken a "Green Initiative in Corporate Governance and allowed companies to send documents to shareholders through electronic mode. Therefore, members are requested to support this initiative by registering/updating their email addresses by sending a written request duly signed by the shareholder to our Share Transfer Agent at the earliest.
9. 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:

For Item No. 6 – Special Business

Shri Ravi Khandelwal was appointed as Director-Finance with effect from 5th March, 2011 by the Board of ITI Ltd in pursuance of letter No. 4-1/2010-Fac-II dated 1st March, 2011 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri Ravi Khandelwal 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 Ravi Khandelwal as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri Khandelwal is Cost Accountant and has done MBA (Finance) and a Commercial Public Enterprises Management Course from University of Bradford, U.K. He has overseas training exposures in Holland, Belgium and Portugal on various subjects including Financial Planning.

Prior to joining ITI Ltd., he was Executive Director of Container Corporation of India Ltd., (CONCOR), a PSU under the Ministry of Railways. Over all, he has 28 years of professional experience.

Shri Ravi Khandelwal 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

Shri N.K. Srivastava, Sr. DDG (TEC) was appointed as Government Nominee Director on the Board with effect from 1st August, 2011 in place of Shri A.K. Srivastava, in pursuance of letter No. A-12023/5/89-OC/PSA dated 1st August, 2011 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri N.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 N.K. Srivastava as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri N.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.

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

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

sd/-

Place: Bangalore
Date: 12.08.2011

(RACHANA CHOUDHARY)
COMPANY SECRETARY

TEN YEAR DIGEST

Rs. in Crores

OPERATING RESULTS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales including services	2139	4660	1741	1210	1818	1749	1389	1257	1795	2317
Accretion/(Decretion) to Stock	(87)	(30)	21	(4)	(21)	(142)	(27)	(184)	(105)	142
Value of Production	2052	4630	1762	1206	1797	1607	1362	1073	1690	2459
Other Income	78	376	176	426	173	139	505	6	67	182
Direct Materials	1662	4210	1476	884	1391	1140	1086	792	1074	1458
Charges on Installation & Maintenance	190	47	75	61	78	75	61	120	157	116
Employees Cost	389	558	401	383	365	382	337	368	389	404
Depreciation	22	24	27	29	38	36	32	42	45	45
Financing Expenses	80	119	292	281	223	225	207	179	156	171
Other Expenses	148	479	313	290	239	314	440	262	310	421
Profit for the year	(361)	(431)	(646)	(296)	(364)	(426)	(296)	(684)	(374)	26
Prior Period Adjustments	3	(28)	(22)	(61)	(40)	(2)	(14)	(22)	(3)	(2)
Profit Before Tax	(358)	(459)	(668)	(357)	(404)	(428)	(310)	(706)	(377)	24
Provision for Tax / Deferred Tax/FRB	-	-	-	1	1	1	-	-	(2)	2
Profit after Tax	(358)	(459)	(668)	(358)	(405)	(429)	(310)	(706)	(375)	22
Dividend	-	-	-	-	-	-	-	-	-	4
FINANCIAL POSITION	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Equity	288	288	288	288	288	288	288	88	88	88
Preference Shares	300	300	300	300	300	300	300	300	100	0
Preference Shares - Application Money Received Pending Allotment	0	0	0	0	0	0	0	0	200	100
Reserves & Surplus	2701	2527	73	64	64	64	64	64	64	97
Revaluation Reserves	2424	2448	2473	2499	2527	2654	-	-	-	-
Miscellaneous expenditure not written off	0	0	0	0	0	8	33	245	148	104
Profit and Loss Account-(Debit)	3975	3622	3219	2551	2192	1787	1358	1048	343	-
Net Worth Funds with Revaluation Reserve	1807	2016	(4)	686	1078	1638	(584)	(772)	54	294
Net Worth without considering DRE not written off and Revaluation Reserve	(617)	(432)	(2477)	(1813)	(1449)	(1008)	(551)	(527)	202	398
Grant-in-aid	69	75	81	86	91	127	155	69	93	113
Bonds	2	7	456	442	416	409	573	344	304	322
Other borrowings and deferred credit	341	271	1688	1789	1326	1572	1057	1414	1121	972
Gross Block	3684	3681	3679	3657	3644	3631	932	1009	1006	986
Depreciation	1137	1089	1040	987	933	768	735	767	747	709
Net Block	2547	2592	2639	2670	2711	2863	197	242	259	277
Capital work-in-progress	7	1	2	1	2	5	4	1	6	12
Current Assets, Loans and Advances :										
Inventory	118	284	403	371	425	412	553	638	871	1048
Debtors	4979	4921	2268	1825	1708	1662	1420	1189	1405	1273
Others	409	631	350	354	398	522	448	267	347	356
Total Current Assets	5506	5836	3021	2550	2531	2596	2421	2094	2623	2677