



ITI LIMITED

**63rd ANNUAL REPORT
2012-13**



*Total Solutions For
Global Communications*





Dear Shareholders,

Welcome to the 63rd Annual General Meeting of ITI Ltd. The Notice related to this Meeting, Director's 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 CPSE and has got the highest rating from Department of Public Enterprises.

Gross Turnover of your company for the year 2012-13 stood at Rs.921 Crores inclusive of the service tax. We have been able to achieve this turnover despite the fact that telecom sector had many hiccups in the past 2 to 3 years and the scenario in telecom sector being not very encouraging. The significant achievement of this financial year is that, though our turnover is comparable to that of the last financial year, we have been in a position to reduce our losses compared to previous year. The share of BSNL & MTNL in the turnover of ITI during 2012-13 stands at 20%. We were still able to achieve this turn over mainly due to the diversification projects like National Population Registry (NPR) from the Ministry of Home Affairs (MHA) and the Socio Economic Caste Census (SECC) project from the Ministry of Rural Development. This was an uphill task but with the help of all stakeholders, we have achieved it. The main contribution (50%) to the above revenues came from the above mentioned two projects i.e NPR & SECC. The other projects which contributed towards this turn over are the projects executed by our Regional Offices (ROs), Network System Units (NSU) and also Defense & GSM projects.

It is heartening to know that some of our manufacturing plants and business units have been performing with greater efficiency and making profits in these challenging times also. Palakkad unit has achieved a turnover of Rs. 449 Cr with a profit of Rs. 16.65 Cr. Five of our Regional Offices (ROs) have reported profits and the turnover of the ROs is touching around Rs. 200 Cr mark. Network Systems Unit (NSU) has also achieved a turnover of Rs.98.01 Cr with a profit of Rs. 5.39 Cr. With the major projects like NOFN, NFS, ASCON expected to be rolled down during next year, manufacturing units and NSU stands to improve their revenue generation and profits in the coming year.

I am happy to inform all the shareholders that our Revival Plan is in an advanced stage. The Revival Plan has already been agreed by the administrative ministry, Draft Rehabilitation Scheme (DRS) approved by Board for Industrial and Financial Reconstruction (BIFR) and also Board for Reconstruction of Public Sector Enterprises (BRPSE). Now the next stage would be the approval of the Cabinet Committee on Economic Affairs. We are greatly indebted to MoC&IT, BIFR and also BRPSE for their kind support extended towards our Revival Plan. We expect other Ministries also would extend similar support to our Revival Plan. Our sincere thanks to all the individuals and good offices for their support to ITI during the year.

Dear Shareholders, in addition to the package expected to be approved, we also continue our sincere efforts for early revival by pursuing our strategy of identifying business opportunities from other probable customers in different segments. We have been trying to increase our share of business in the Defense sector. In this direction we have been in continuous interaction with defense organizations, looking for dedicated manufacturing/production units for the products developed by them. ITI is also looking for long term capacity building and life cycle maintenance for the Products/Systems developed by them. The new thrust for indigenous value addition in defense procurement and mandatory implementation of 'Offset' clause gives ample opportunity for domestic manufacturers. Recently we have been able to bag an order worth Rs. 49 Cr for encryption equipments in the DCN project. The other major defense projects of interest to ITI are ASCON Phase IV, NFS and Battle Field Management Systems (BMS). We have started work for manufacturing of Software Defined Radio (SDR) products, which we feel would be in great demand in the coming years. We are also discussing with various other defense labs like Electronics and Radar Development Establishment (LRDE) etc on identifying different business opportunities.

We are also sharpening our focus on the non telecom diversified areas of business for sustainable growth. As said earlier, our non telecom projects of NPR under Ministry of Home Affairs and SECC under the Ministry of Rural Development have been the major projects in our endeavor in this segment. NPR 40 project is being executed by plants in North. ITI has also diversified into Solar power based projects. Naini plant has established manufacturing facilities for the production of solar panels. We have received orders worth more than Rs.35 Crores for this project. Much more business from the solar panels is expected in the coming years. We are also manufacturing LED based lighting systems which are expected to have a great demand in the coming years. Solar and LED products have also been given a thrust by the New Policy on Electronics 2012 and we are proud to say that ITI also emphasized on these areas as part of diversification strategy in the Revival Plan. We are also exploring the smart cards manufacturing, as ITI could leverage its strength as a PSU due to security implications involved in the manufacturing of these cards.

ITI is also banking on the business opportunities emerging out of the two national projects funded by the Government of India. Tender for the National Optical Fiber Network (NOFN) has been notified. Manufacturing of GPON equipment has already been initiated in one of our plants. ITI has been utilizing its strength as a major PSU under DoT and also strategizing to obtain more orders for ITI through consortium of PSUs under DoT. Network for Spectrum (NFS) tender (for the optical fiber portion) has also been notified and ITI has submitted bids for two zones. ITI has taken major steps to ensure partnerships to address the supply of equipments required for the NFS project.

New Telecom Policy 2012 has been approved by the Government of India has been taking shape. Under the New Policy on Electronics 2012, a number of initiatives have been announced. The policy also enunciates higher local content therefore paving the way for indigenous manufacturing. The Preferential Market Access (PMA) policy is also going to boost indigenous manufacturing. ITI being a sole telecom equipment manufacturing PSU under DOT expects to play a significant role thereby furthering its Revival Strategy.

Friends, with the in-principle approval of our Revival Plan by DoT, BIFR and BRPSE, we have made a strong stride towards fulfilling our struggle & passion for revival. We hope we get similar support from the other ministries also so that we have the final approval of our most awaited Revival Plan. With the support of Government mainly by the DOT & Defense ministry, ITI is bound to bounce back as a major player in the space of electronics manufacturing.

I am grateful to the Government of India, Ministry of Home Affairs (MHA), Ministry for Rural Development, Department of Telecommunications, Telecom Commission, BSNL, MTNL, TCIL, Indian Railways, DRDO, all departments of Central and State Governments, Defense 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.

NB: This does not purport to be a record of the proceedings of the 63rd Annual General Meeting.

K.L. DHINGRA
Chairman & Managing Director

ANNUAL REPORT 2012-2013

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BOARD OF DIRECTORS

Shri K. L. Dhingra

Chairman and Managing Director

Shri Ravi Khandelwal

Director – Finance
(upto 29.04.2013)

Shri R.K. Agarwal

Director–Marketing

Shri K. K. Gupta

Director –Production

Shri N.K. Joshi,

Deputy Director General(SU),
Dept., of Telecom.

Shri T.S. Narayanasami

Independent Director
(upto 08.03.2013)

Prof. M. Balakrishnan

Independent Director
(upto 08.03.2013)

Dr.S.K. Chaudhuri

Independent Director
(upto 08.03.2013)

Lt. Gen. S.P. Kochar,

AVSM and Bar SM, VSM, ADC,
Signal Officer-in-Chief &
Senior Commandant, Army HQ.

Shri Dharendra Singh,

Independent Director,
(from 03.10.2012)

Dr. M.J. Zarabi,

Independent Director.
(from 03.10.2012)

Prof. Ramesh Bhat

Independent Director
(from 03.01.2013)

COMPANY SECRETARY**K.T. Mayuranathan**

(from 21.06.2012)

Ms. Rachana Choudhuary

(upto 25.05.2012)

LEGAL ADVISERS**M/s. Holla & Holla, Advocates,**
Bangalore & others**Ms. Jayashreemurali, Advocate**

Bangalore

AUDITORS**M/s. Badari, Madhusudhan & Srinivasan,**
Bangalore**M/s. Nagendra Gupta & Co.,** Naini, Allahabad**M/s. Habibullah & Co.,** Mankapur**M/s. S.Thrivikraman & Co.,** Palakkad**M/s. S. C. Singh & Co.,** Rae Bareli**M/s. Samriti & Associates,** Srinagar**COST AUDITORS****M/s. GNV & Associates,** Bangalore**M/s. Aman Malviya & Associates,** Lucknow**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

(Up to: 29.04.2013)

Shri R. Venkataraman, IRS

Chief Vigilance Officer

Shri P. Jagadeeswaran,

Dy General Manager – IA

(Up to 31.01.2013)

Shri Kanthimathinathan,

Finance Manager-IA

(From 01.02.2013)

Shri K.T. Mayuranathan,

Company Secretary

(from 21.06.2012)

Ms. Rachana Choudhary

Company Secretary

(upto 25.05.2012)

PLANTS/UNITS / PROJECTS

Bangalore Plant

Shri A.M. Uniyal Lt. Col.(Retd.)

General Manager (Up to: 30.04.2013)

Srinagar (J & K) Plant

Shri I.A. Khan,

Manager

Naini Plant

Shri P.K. Gupta,

General Manager

Rae Bareli Plant

Shri R.K. Purwar

General Manager

Palakkad Plant

Shri Gopu S.

Addl. General Manager -P

Mankapur Plant

Avinash Chandra

Addl. General Manager

Network Systems Unit

Shri N.K. Bhattacharya

General Manager

Research & Development

Shri A.M. Uniyal,Lt.Col.(Retd.)

General Manager [R&D] (Up to: 30.04.2013)

GSM-Projects, Pune

Shri A.K. Sahu

Addl. General Manager

GSM – Mumbai

Shri A.K. Matkari

Addl. General Manager

Corporate Marketing

Shri A.K. Sultan

Addl. General Manager

NOTICE

NOTICE is hereby given that the SIXTY THIRD Annual General Meeting of ITI Limited will be held on Friday the 27th September, 2013 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 2013, 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 Rajini Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri K.K. Gupta, 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 authorize the Board of Directors of ITI Limited to fix the remuneration, reimburse traveling 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 2013-2014."

SPECIAL BUSINESS:

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

"RESOLVED that Shri Dhirendra Singh be and is hereby appointed as Director of the Company with effect from 03.10.2012 on the terms and conditions as stipulated by the Government.

"RESOLVED that Dr. M.J. Zarabi be and is hereby appointed as Director of the Company with effect from 03.10.2012 on the terms and conditions as stipulated by the Government.

RESOLVED that Prof. Ramesh Bhatt be and is hereby appointed as Director of the Company with effect from 03.01.2013 on the terms and conditions as stipulated by the Government.

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

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

Place: Bangalore
Date: 29/05/2013

(K.T.MAYURANATHAN)
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 19.09.2013 to 27.09.2013 (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 R.K.Agarwal, Director-Marketing and Shri K.K.Gupta, Director-Production 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. Pursuant to Clause 40 of the Listing Agreement, the brief resume/profile of the Directors eligible for re-appointment are attached herewith.
8. Members/their Proxies/Representatives are advised to bring the Attendance Slip duly filled in and the Annual Report for attending the Meeting.
9. **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 the Share Transfer Agent at the earliest.**
10. 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. 5 – Appointment of Director

Article 70 of the Articles of Association of the company provides for appointment of Directors by the President from time to time. Accordingly, the President of India has appointed Shri Dharendra Singh and Dr. M.J.Zarabi with effect from 03.10.2012 and Prof. Ramesh Bhat with effect from 03.01.2013.

In view of the provisions under Sec 257 of the Companies Act, 1956, it is necessary to place this information before the members of the Company seeking the consent of the members for the appointment of the aforementioned Directors with effect from the date of their appointments as aforesaid.

Shri Dhirendra Singh, Independent Director

Shri Dhirendra Singh, 67 years, is an Independent Director on our Board. He holds a Bachelor of Science degree and a Master's degree in political science from the University of Allahabad and a Master's Diploma in Public Administration from the Indian Institute of Public Administration, New Delhi. A former member of the Indian Administrative Service, he has over forty years of administrative and public sector experience and has served in various capacities with the State Government of Karnataka and the Government of India. He was the Chairman and Managing Director of Vikrant Tyres Ltd and Mysore Electrical Industries; He has served as Secretary in many Union Government Departments.

Shri Dhirendra Singh, being the appointee concerned, is considered to be interested in the resolution.

The Board commends the resolution for the approval of the members.

Dr.M.J.Zarabi, Independent Director

Dr.M.J.Zarabi, 65 years, is an Independent Director on our Board. His doctoral work represented excellence in engineering research for which he was awarded with 'Alumini Model' by IISc., Bangalore. He was the CMD of Semiconductor Complex Ltd. from June 1993 to August 2005. He is/has also been on the Boards of Directors of a few companies. He is/has also been on a number of Committees of Union Government.

Dr. M.J. Zarabi, being the appointee concerned, is considered to be interested in the resolution.

The Board commends the resolution for the approval of the members.

Prof. Ramesh Bhatt

Prof. Ramesh Bhatt, 56 years, is an Independent Director on our Board. His academic and professional work spans over 32 years. His association with IIM,

Ahmedabad has been highly rewarding in terms of understanding the dynamics of public policy making and implementation, and focusing on developing understanding of entrepreneurial and venture capital based initiatives. Presently Advisor to the Minister of Ministry of Human Resources and Development, Government of India, New Delhi.

Prof. Ramesh Bhat, being the appointee concerned, is considered to be interested in the resolution.

Shri Rajini Agarwal

Shri R.K. Agarwal took over as Director (Marketing) of ITI Limited. from March 9, 2010. Prior to this, he was General Manager (Corporate Marketing). An Industrial Engineering graduate, Shri Agarwal joined ITI Ltd in 1976 as an assistant executive engineer in the Company's Bangalore Plant. Shri Agarwal's 33 years experience spans areas such as manufacturing, quality control and marketing.

Shri K.K. Gupta

Shri K.K. Gupta took over as Director (Production) of ITI Limited on May 1, 2010. Prior to this, he was General Manager, Corporate HR and GSM (South Zone). An Electronics and Telecommunication Engineer, Shri Gupta joined ITI in 1977 as an Assistant Executive Engineer at the Company's Naini Plant. Shri Gupta's 33 years of experience covers the diverse fields of manufacturing - telephones and transmission, GSM project and human resources.

The Board commends the resolution for the approval of the members.

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

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

Place: Bangalore
Date: 29/05/2013

(K.T.MAYURANATHAN)
COMPANY SECRETARY

TEN YEAR DIGEST

in Crores

OPERATING RESULTS	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Sales including services	921	993	2139	4660	1741	1210	1818	1749	1389	1257
Accretion/(Decretion) to Stock	(11)	3	(87)	(30)	21	(4)	(21)	(142)	(27)	(184)
Value of Production	910	996	2052	4630	1762	1206	1797	1607	1362	1073
Other Income	34	34	78	376	176	426	173	139	505	6
Direct Materials	235	315	1662	4210	1476	884	1391	1140	1086	792
Charges on Installation & Maintenance	409	422	190	47	75	61	78	75	61	120
Employees Cost	393	402	389	558	401	383	365	382	337	368
Depreciation	18	21	22	24	27	29	38	36	32	42
Financing Expenses	89	85	80	119	292	281	223	225	207	179
Other Expenses less Charges on Installation & Maintenance	160	154	148	479	313	290	239	314	440	262
Profit	(360)	(369)	(361)	(431)	(646)	(296)	(364)	(426)	(296)	(684)
Prior Period Adjustments	48	(1)	3	(28)	(22)	(61)	(40)	(2)	(14)	(22)
Extraordinary Items	130	-	-	-	-	-	-	-	-	-
Profit Before Tax	(182)	(370)	(358)	(459)	(668)	(357)	(404)	(428)	(310)	(706)
Provision for Tax / Deferred Tax/ FRB	-	-	-	-	-	1	1	1	-	-
Add: Provision for tax of earlier years no longer required	-	-	-	-	-	-	-	-	-	-
Profit after Tax	(182)	(370)	(358)	(459)	(668)	(358)	(405)	(429)	(310)	(706)
Dividend	-	-	-	-	-	-	-	-	-	-

Turnover and Value of production for the year 2012-13 & 2011-12 are inclusive of excise duty & service tax while for rest of the years, they include excise duty only.

FINANCIAL POSITION	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Equity	288	288	288	288	288	288	288	288	288	88
Preference Shares	300	300	300	300	300	300	300	300	300	300
Preference Shares - Application Money Received Pending Allotment	0	0	0	0	0	0	0	0	0	0
Reserves & Surplus	2709	2700	2701	2527	73	64	64	64	64	64
Revaluation Reserves	2390	2406	2424	2448	2473	2499	2527	2654	-	-
Miscellaneous expenditure not written off	0	0	0	0	0	0	0	8	33	245
Profit and Loss Account-(Debit)	4527	4345	3975	3622	3219	2551	2192	1787	1358	1048
Net Worth Funds with Revaluation Reserve	1172	1413	1807	2016	(4)	686	1078	1638	(584)	(772)
Net Worth without considering DRE not written off and Revaluation Reserve	(1218)	(993)	(617)	(432)	(2477)	(1813)	(1449)	(1008)	(551)	(527)
Grant-in-aid	12	64	69	75	81	86	91	127	155	69
Bonds	2	2	2	7	456	442	416	409	573	344
Other borrowings and deferred credit	606	483	341	271	1688	1789	1326	1572	1057	1414
Gross Block	3695	3691	3684	3681	3679	3657	3644	3631	932	1009
Depreciation	1210	1175	1137	1089	1040	987	933	768	735	767
Net Block	2485	2516	2547	2592	2639	2670	2711	2863	197	242
Capital work-in-progress	1	2	7	1	2	1	2	5	4	1
Current Assets, Loans and Advances :										
Inventory	105	113	118	284	403	371	425	412	553	638
Debtors	4067	4268	4979	4921	2268	1825	1708	1662	1420	1189
Others	348	333	409	631	350	354	398	522	448	267
Total Current Assets	4520	4714	5506	5836	3021	2550	2531	2596	2421	2094