ITI LIMITED

63rd ANNUAL REPORT
2012-13

Total Solutions For Global Communications

An ISO 9001:2008 Company

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

CONTENTS

Description	Page No.
Board of Directors	2
Management	4
Notice	5
Ten Year Digest	8
Figures at a glance	11
Directors' Report	14
Significant Accounting Policies	43
Annual Accounts	47
Auditors' Report	93
Comments of the C&AG of India	101

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 Dhirendra 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	By Order of the Board
ITI Bhavan, Doorvaninagar	For **ITI LIMITED**
Bangalore-560 016	

Place: Bangalore	**(K.T.MAYURANATHAN)**
Date: 29/05/2013	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 Dhirendra 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	By Order of the Board
ITI Bhavan, Doorvaninagar	For **ITI LIMITED**
Bangalore-560 016	
Place: Bangalore	**(K.T.MAYURANATHAN)**
Date: 29/05/2013	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

TEN YEAR DIGEST (Contd...)

` in Crores

FINANCIAL POSITION	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Current Liabilities and Provisions	5227	5335	5911	6136	3523	2305	2425	1846	1581	1356
Working Capital	(707)	(621)	(405)	(300)	(502)	245	106	750	840	738
Capital Employed (Net Fixed Assets+Working Capital)	1778	1895	2142	2292	2137	2915	2817	3613	1037	980
Sources of Funds:										
Shareholders' Fund	1172	1413	1807	2016	(4)	686	1078	1638	(584)	(772)
Grant-in-aid										
Borrowings	608	485	343	278	2144	2231	1742	1981	1630	1758
Deferred Tax	-	-	-	-	-	-	-	-	-	-
Total Funds	1780	1898	2150	2294	2140	2917	2820	3619	1046	986
Application of Funds:										
Net Fixed Assets	2485	2516	2547	2592	2639	2670	2711	2863	197	242
Working Capital	(707)	(621)	(405)	(300)	(502)	245	106	750	840	738
Capital Work in progress	1	2	7	1	2	1	2	5	4	1
Investments	1	1	1	1	1	1	1	1	5	5
Total Assets	1780	1898	2150	2294	2140	2917	2820	3619	1046	986

FINANCIAL RATIOS	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Working Capital Ratios:										
Current Ratio	0.86:1	0.88:1	0.93:1	0.95:1	0.86:1	1.11:1	1.04:1	1.41:1	1.53:1	1.54:1
Working Capital in no. of months of value of Production	N.A	N.A	N.A	N.A	N.A	2.44	0.71	5.60	7.40	8.25
Inventory in no. of months of value of Production	1.38	1.36	0.69	0.74	2.74	3.69	2.84	3.08	4.87	7.14
Debtors(Net of Advances) in terms of months sales and Services	30.18	30.89	18.12	8.50	7.21	12.84	7.80	9.79	10.62	9.94
Working capital to total Assets (%)	(39.72)	(32.72)	(18.84)	(13.08)	(23.46)	8.40	3.76	20.72	80.31	74.85
Cost of Direct Material to value of Production incl. Excise Duty (%)	25.82	31.63	80.99	90.93	83.77	73.30	77.41	70.94	79.74	73.81
Cost of Direct Material & Charges on Insttn to value of Production incl. Excise Duty (%)	70.77	74.00	90.25	91.94	88.02	78.36	81.75	75.61	84.21	85.00
Growth Ratios:										
Annual growth in value of Production (%)	(8.63)	(51.46)	(55.68)	162.77	46.10	(32.89)	11.82	17.99	26.93	(36.51)
Annual growth in Gross Block excluding Revaluation Reserve (%)	0.39	0.68	0.29	0.20	2.19	1.31	1.33	4.83	N.A	0.30

TEN YEAR DIGEST (Contd...)

` in Crores

OTHER STATISTICS	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Turnover composition:										
To BSNL/MTNL	181	206	1963	4298	1507	806	1525	1448	998	1007
Others	740	787	176	362	234	404	293	301	391	250
Total	921	993	2139	4660	1741	1210	1818	1749	1389	1257
Value added	166	164	328	335	222	242	328	355	188	201
No. of Employees as on 31st March	8516	9512	10616	11737	12556	13045	13415	14257	14635	15221
Value Added per Employee (`)	184158	162957	293473	275800	173431	182918	237063	245743	125938	115143
Value of Production per Employee (`)	1009541	989666	1835995	3811798	1376509	911565	1298786	1112419	912379	614671

[Figures in brackets indicate negative figures]

FIGURES AT A GLANCE

` in Crores

Balance Sheet	As at 31st March 2013		As at 31st March 2012	
(a) What the Company owned				
Fixed Assets		**3695**		3691
Less: Depreciation		**1210**		1175
Net Block		**2,485**		2,516
Capital Work-in-Progress		**1**		2
Investments		**1**		1
Current Assets, Loans & Advances	**4520**		4714	
Less: Current Liabilities	**5227**		5335	
		(707)		(621)
		1,780		1,898
(b) Less: What the Company owed				
Bonds	**2**		2	
Cash Credit	**606**		483	
		608		485
(c) Shareholders' Funds [a]-[b]		**1,172**		1,413
Represented by:				
Share Capital		**588**		588
Reserves & Surplus	**2709**		2700	
Revaluation Reserve	**2390**		2406	
Grant-in-aid	**12**		64	
Less: Profit and Loss Account (Debit)	**4527**		4345	
		584		825
		1,172		1,413

FIGURES AT A GLANCE (Contd...)

` in Crores

PROFIT AND LOSS ACCOUNT	For the year ended 31st March 2013	For the year ended 31st March 2012
(a) What the Company earned		
Sales including services(including excise duty and service tax)	**921**	993
Other Income	**34**	34
Increase/(Decrease) in Work-in-Process, Stock-in-Trade and Manufactured Components	**11**	3
	944	1030
(b) What the Company incurred		
Materials	**644**	737
Employees Cost	**393**	402
Depreciation	**18**	21
Financing Expenses	**89**	85
Other Expenses(including excise duty and service tax)	**160**	154
	1304	1399
(c) Profit (a-b)	**(360)**	**(369)**
(d) Prior Period Adjustments	**48**	**(1)**
(e) Profit before extraordinary items and tax	**(312)**	**(370)**
(f) Extraordinary items	**130**	**0**
(g) Profit before tax	**(182)**	**(370)**
(h) Less: Provision for Taxation	**0**	**0**
(i) Profit after tax	**(182)**	**(370)**

FIGURES AT A GLANCE (Contd...)

` in Crores

SOURCES AND APPLICATION OF FUNDS	For the year ended 31st March 2013	For the year ended 31st March 2012
SOURCES OF FUNDS		
1. Depreciation	**18**	21
2. Increase in Borrowings	**123**	142
3. Reduction in Working Capital	**86**	215
4. Revenue Grant in aid received	**130**	0
5. Capital Grant in aid received	**10**	0
	367	378
APPLICATION OF FUNDS		
1. Loss After Tax	**182**	370
2. Fixed Assets	**3**	2
3. Capital Grant-in-aid utilised	**4**	5
4. Revenue Grant-in-aid utilised	**178**	1
	367	378

DIRECTORS' REPORT

To

The Members

ITI Limited

Your Directors have pleasure in presenting the 63rd Annual Report of the Company together with Audited Accounts and Auditors' Report thereon for the year ended 31st March 2013.

PERFORMANCE:

ITI Limited has reported a net loss of ` 182.06 Cr in the financial year 2012-13 which is the lowest ever loss reported by the Company in the last eleven financial years. The net loss has come down by 50.77% from a net loss of ` 369.80 Cr. reported in the financial year 2011-12.

The Company was having MoU target of ` 4430 Cr. (sales) for the year 2012-13. Against this MoU target, the Company has achieved Sales (including ED & Service Tax) and Production of ` 921.04 Cr. and ` 910.16 Cr. during the year 2012-13 as against ` 993.12 Cr. and ` 995.96 Cr. respectively during the previous year 2011-12. Due to reduced market share of telecom PSUs, major orders could not be finalized and hence resulted in reduced sales.

Despite the reduced Sales turnover, contribution in the year 2012-13 has increased to `187.27 Cr. as compared to ` 180.51 Cr. in the year 2011-12.

During the year 2012-13, the Company received approximately fresh orders of ` 1104 Cr only.

The Company has signed MoU of ` 4500 Cr. (Level-3) for the year 2013-14 with projected gross margin of `130 Cr. and Net Profit of ` 1.00 Cr.

As part of diversification, all the Units have taken various initiatives to enhance production.

Bangalore Plant has entered into a TOT for manufacturing and supply of SDR (Software Defined Radio Products) it is expected to be in demand for defence forces in future.

Mankapur Unit has developed LED bulbs of 5W to replace 60W filament bulbs, LED streetlights (40W-excellent replacement of 250W sodium vapor lamp), LED streetlight (75W) and LED based tube lights (18W) for domestic/business/industrial applications. These LED based products will go a long way towards energy saving.

Naini Unit established a new line for manufacturing of High Wattage Solar Panels of capacity 5 MW.

Palakkad Unit has established inroads in the Defence manufacturing area by supplying to NPOL, HVF Avadi, etc. The Plant has opened a separate manufacturing area for meeting the requirements of production of Space research related products and have supplied to VSSC both bare and assembled PCBs.

HIGHLIGHTS:

- The turnover for the year 2012-13 is mainly constituted by GSM, G-PoN, Defence, IT solutions Projects and services sector for NPR and SECC projects.
- The Company is executing Turnkey Project of Registrar General of India (RGI) for creation of Multi Purpose National Identification Card under National Population Register (NPR57) project for the country.

PRODUCTION

The product-wise details of performance achieved by the Company during the year 2012-13 as compared to the previous year is as given below:

(` in Crores)

Sl.No.	Product/Project	2012-13	2011-12
1	Radio Modem	-	17.50
2	SSTP/IP TAX	-	12.28
3	C-DOT Products	1.61	4.57
4	Diversified Products / Cont.Mfg.	10.61	4.15
5	Solar Panel	22.76	6.87
6	PCM MUX	0.52	3.84
7	DWDM	-	9.21
8	MLLN	9.77	-
9	GSM – WZ (Incl. BTS, RTT, Shelter & AMC)	55.11	32.70
10	GSM – MTNL	1.02	18.44
11	GSM – SZ	1.75	13.64
12	WLL-INFRA		-14.88
13	ADSL – CPE	2.89	5.13

14	Misc. Products & Services	24.78	34.37
15	Defence / ASCON	55.35	52.20
16	OCB AMC Business	37.74	47.14
17	SIM / USIM / SMART Cards	20.09	0.28
18	NPR/SECC Projects (Data)	371.37	438.07
19	SMPS	1.65	3.76
20	G-PoN	16.29	24.24
21	ROs / CCO / IT	198.23	197.89
22	Data Centre	15.44	10.69
	Total Service Tax	**74.06**	**71.03**
TOTAL (Incl. ED & Ser. Tax)		**921.04**	**993.12**

New Products:

- **National ID Card manufacturing :**

  ITI is already a part of the consortium of PSUs along with BEL and ECIL for executing the National Population Register (NPR) project under the Ministry of Home Affairs. The next phase of the project is to manufacture national identity cards for all citizens in the country (above 18 years age). The project is expected to be awarded to the consortium during this year and is expected to be valued more than ` 1200 Crore (for ITI) in a period of three years. Also, there will be continuous requirement of these cards beyond this period even though volume would be lower. The cards are planned to be manufactured at Palakkad plant which is already engaged in manufacturing this type card in its plant.

- **Software Defined Radio (SDR):**

  Software Defined Radio cater to single radio covering HF, VHF and UHF range for voice and low bit-rate voice and data applications. Defence sector plans to replace existing radios namely combat net radios with SDR. These radios have Electronic counter Measures (ECCM) features to avoid jamming. ITI has entered into an MoU with a technology partner and signed Transfer of Technology (TOT) agreement with the party to start component level manufacturing of this product in ITI. Tenders are awaited from Defence sector for this product.

- **Next Generation Networks:**

  Next Generation Network (NGN) is a Soft Switch based Telecommunication network capable of providing services, viz., Voice, Data & Video by encapsulating them into packets. Manufacturing of IP TAX equipment (or, Class IV switches) and local exchanges (or, class V switches), based on Soft Switch architecture is planned. BSNL and MTNL's plans to migrate their TDM switches to NGN in order to provide new services to customers will boost the NGN market.

- **Carrier Ethernet:**

  Carrier Ethernet is the next generation transport technology for high bandwidth packet access for internet and business communication. The projects like NFS (Network for Spectrum), are expected to have a huge requirement for Carrier Ethernet switches. ITI is in the process of identifying a technology partner for the execution of anticipated orders from the customer.

- **G-PON (Gigabit Passive Optical Network):**

  G-PON is a promising transmission technology in terms of its low operating expenses, low power requirements and ease of network deployment. Huge requirements are anticipated from projects like National Optical Fiber Network (NOFN) and Network for Spectrum (NFS) and others. ITI has already been a major supplier of this product to BSNL and MTNL using the imported technology. ITI has now entered into a ToT agreement with C-DOT and plans are afoot to take up manufacture of G-PON equipments from component level at Raebareli plant. This will boost indigenous manufacturing in India.

- **MLLN (Managed Leased Line Networks):**

  ITI has successfully rolled out countrywide MLLN network for BSNL in technical collaboration with M/s Tellabs. During the year 2012-13, ITI received expansion order for MLLN project to the tune of ` 82 crore.

EXPORT:

The exports of the Company for the year 2012-2013 were NIL.

FINANCE:

The performance of the Company for the year 2012-2013 as compared to the previous year is as follows:

(`. in Crs.)

Sl No.	Particulars	2012-2013	2011-2012
i.	Sales including services	921	993
ii.	Value of Production	910	996
iii.	Loss before tax	182	370
iv.	Loss after tax	182	370
v.	Financing Expenses	89	85
vi.	Depreciation	18	21
vii.	Capital Employed (Net Fixed Assts + Net Current Assets)	1778	1895
viii.	R&D Expenditure	18	21

DIVIDEND:

As your Company has incurred a loss, the Directors are not in a position to recommend any dividend for the year 2012-2013.

HIGHLIGHTS:

The performance value for 2012-13 is mainly from National Population Register (NPR), GSM Projects, GPoN, Solar Panel, IT Project and Service Contracts through ROs, Defence and Civil Networks.

The Company is executing Turnkey Project of Registrar General of India (RGI) for creation of Multi Purpose National Identification Card under National Population Register, AMC and Misc. services.

HIGHLIGHTS OF THE PRODUCTION PLANTS AND SERVICE UNITS:

BANGALORE PLANT:

Bangalore Plant achieved a performance of ` 30.62 Crores. This performance consist of supply of Defence equipment of ` 6.27 Cr, Data Centre services worth ` 18.05 Cr., AMC, repair and Miscellaneous products worth ` 6.30 Cr,

MANKAPUR PLANT:

Mankapur Plant achieved a performance of ` 6.35 Crores. The Plant has dispatched 40K Nos. of ADSL-CPE worth ` 2.89 Cr., C-DoT Products worth `1.61 Crs. and Banking/Miscellaneous products worth ` 1.81 Crs.

During the year, the Plant has bagged 2 Nos. National Safety Award – Performance Year 2010 – WINNER for lowest average accident frequency rate and Performance Year 2010 – RUNNER for accident free year.

ITI Limited, Mankapur has done a yeoman's service in maintaining a balanced environment and ecology since its establishment in 1983 in the Gonda District of Uttar Pradesh. Since inception, the Unit is continuously making efforts to upgrade the environment.

RAE BARELI PLANT:

Rae Bareli Plant achieved a performance of ` 42.76 Crores. The Plant has dispatched 31.9K Nos. of ONT of GPoN equipment worth ` 16.29 Cr., ` 1.65 Cr. from the supply of SMPS equipments, ` 24.82 Cr worth of GSM Franchise business.

During the year, the Plant has bagged National Safety Award for outstanding performance in Industrial Safety during performance year 2010 for accident free year.

NAINI PLANT:

Naini Plant achieved a performance of ` 22.91 Crores. The Plant has dispatched 117 Nos. of Solar Panel equipment worth ` 22.76 Cr. and Misc. / Contract Manufacturing worth of ` 0.15 Cr.

PALAKKAD PLANT:

Palakkad Plant achieved a performance of ` 449.33 Crores. The Plant has captured Bio-metric data collection/data entry against NPR/SECC Projects worth ` 409.98 Cr., supplied 20.14 million Nos. of Smart Cards for NPR Project worth ` 26.54 Cr, Supply of MLLN & AMC Project worth `11.07 Cr. and Misc. / Contract Manufacturing worth ` 1.74 Cr.

In the Industrial Safety front, Plant was runners up for the Outstanding Safety performance in the large size Engineering Industries Group from National Safety Council, Kerala Chapter and third prize winner from Directorate of Factories, Kerala Government for large scale industries.

SRINAGAR PLANT:

Srinagar Plant achieved a performance of ` 0.01 Crores against services.

NETWORK SYSTEMS UNIT:

Network Systems Unit achieved a performance of ` 98.01 Crores. The performance mainly comprises of Annual Maintenance Contract for fixed line OCB exchanges worth ` 42.05 Cr. for BSNL & MTNL, AMC for ASCON worth ` 54.69 Cr. and Misc./ contract jobs worth of ` 1.27 Cr.

REGIONAL OFFICES:

Regional Offices and its Customer Care Organization (CCO) achieved a performance of ` 206.53 Crores. This performance consists of ` 75.89 Crs. supplies of ITI's Mfg. products and other traded products, ` 45.23 Crs. of Services and ` 5.77 Crs. by various CCOs and ` 79.64 Cr. towards IT Projects.

Highlights of Regional Offices

Performance:

a) Performance of ROs for the FY 2012-13 is `**206.53 Cr** against `**206.82 Cr** in the FY 2011-12.

b) Sundry Debtor realization for 2012-13 is ` **120.63 cr** Realisation for FY 2011-12 was **170.49 Cr**.

- Total order bagged in 2012-13 is ` 209.52 Crs. against the order bagged of ` 122.86 Crs. in 2011-12.

` 453.74 Crs. orders on hand as on 01.04.2013. Order value on hand as on 01-04.2012 was ` 457.20 Crs.

New Projects taken up in 2012-13:

- CCTNS Bihar – RO Lucknow (` 68 Crs)
- CCTNS Nagaland – RO Kolkata (` 9.6 Crs)
- APDRP Puducherry – RO Chennai (` 12.8 Crs)
- In the State of Assam – NPR (estimated work of ` 35 Crs.) being executed by RO (Kolkata)

Austerity Measures:

- Closure of 8 Area Offices in last three years.
- Cost reduction in office rent by shifting office to a smaller area.
- Fixed expenditure reduced by surrendering the rented premises & operating from residence.

GSM Projects:

The Company rolled out GSM Network worth of ` 63.38 Cr. (with Service Tax) against BSNL orders in West Zone & South Zone and ` 1.15 Cr against Orders of MTNL, Mumbai.

CONSERVATION OF ENERGY:

The Company has undertaken following energy saving measures:

1. Recommendations of Bureau of Energy Efficiency have been implemented from time to time.
2. Optimum usage of Plant & Utilities
3. Monitoring of power factor at regular interval.

4. Replacement of old high capacity equipments with multiple optimum size capacity energy efficient ones.

5. Replaced conventional electro-magnetic ballast fluorescent fitting with electronic ballast fluorescent tri-phosphate lamp fitting.

6. Offloading of Central Air Conditioning plant in winter season.

7. Use of timer control devices in street lighting, etc.

8. Diverting the load on single transformer to reduce no-load losses.

9. Training programmes / competitions among employees to create awareness on energy conservation.

New Product & New Technology Initiatives:

Mankapur Unit has developed LED bulbs of 5W to replace 60W filament bulbs, LED streetlights (40W-excellent replacement of 250W sodium vapor lamp), LED streetlight (75W) and LED based tubelights (18W) for domestic applications. These LED based products will go a long way towards energy savings.

Future Outlook:

- **Telecom projects like NOFN and NFS:**

  The Government funded projects like National Optical Fiber Network (NOFN) and Network for Spectrum (NFS) require many types of telecom equipments like GPON, DWDM, Carrier Ethernet, DSL equipments etc. in huge volumes. Some of equipments required in these projects have been designed by C-DOT, with whom ITI has tie-up for technology transfer. For other products also, ITI has tied up with technology partners for technology transfer to ITI with an intention of taking up manufacturing of these products.

- **Core Telecom Products:**

  ITI is pursuing on addressing the core telecom market like GSM, Long Term Evolution (LTE), and Managed Leased Line Network (MLLN) etc. The LTE technology is expected to be taking over in the next decade. ITI is planning to take up manufacturing of these products.

- **Defence projects:**

  ITI is looking at Defence market as a great opportunity for its business. ITI has already supplied telecom equipment like Telephones, Ruggedized Telephone Exchanges, Transmission equipments, VSAT etc. to the Defence sector. ITI is the leader in supplying encryption equipments for the secured communication in the Defence networks. With greater thrust towards domestic manufacturing of Defence equipments, ITI proposes taking up manufacturing of new products for Defence like, Software Defined Radio (SDR), High Frequency Radio Handsets, TR modules for RADAR, Electronic Fuses, equipments for Army Wide Area Network (AWAN Phase II) etc. ITI is discussing with DRDO for setting up of SBU in two units of ITI.

  One major project which has been now launched by Indian Army is ASCON Phase IV. Earlier three phases of this project have been executed by ITI successfully and ITI is hopeful of getting order for this project also.

- **Solar Project:**

  There has been special emphasis by the Government of India to implement the renewable energy sources including solar to overcome the environmental hazards and meeting the growing energy needs. ITI is having requisite expertise and experience for implementing Solar solutions in its Naini plant. ITI has already executed solar projects for BSNL as well as UP police. BSNL and other Service Providers are planning to upgrade their outdoor GSM Telecom BTS sites with Solar Power specially in rural areas where power supply position is not good. ITI Naini is planning to augment the solar panel manufacturing infrastructure in its plant.

- **LED Lighting:**

  LED lighting is an environmental friendly option due to non-use of Mercury. Market potential for this product is very good. ITI is planning to address this market. Potential areas of business opportunities are expected from National Highway Authority, State Governments and Municipal Corporations, CPWDs/ PWDs, Railways, Hotels and Hospital Industry.

- **Data Center:**

  ITI has already established Tier 3+ state-of-art Data center at Bangalore on PPP model. Presently this Data Center is fully booked for co-location services. Big scope exists in the market of Data center considering the immense potential in the Government sector to store data for projects of national importance like NPR, UIDAI and other Projects/Schemes envisaged by Government agencies & PSUs. In line with the business opportunities, ITI is planning to build another Data center as main and disaster recovery sites.

- **IT Projects:**

  All the State Governments are pursuing E-Governance projects for taking the benefit of IT to the Village Panchayats and they have made a substantial budget provision for the same. ITI is aggressively pursuing this Market segment. ITI has already executed SWAN (State Wide Area Network) projects of Maharashtra, Odisha and Mizoram. ITI is also executing Accelerated Power Development and Reform Programme (APDRP) of Tamil Nadu state, Crime & Criminal Tracking Network System (CCTNS) for Bihar and Nagaland. e-Tendering is another project being executed by ITI. ITI plans to pursue more such IT projects in future.

CONTRIBUTION TO EXCHEQUER:

During the year, your Company has contributed ` 46.12 Crs to the exchequer towards duties and taxes.

PUBLIC DEPOSITS:

Value of deposits held by the Company was NIL. Deposits aggregating to ` 0.24 Cr. had matured for payment, but were not claimed on due dates.

REVIEW OF ACCOUNTS BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA:

The comments on the accounts for the year 2012-13 by the comptroller and Auditor General of India appended.

JOINT VENTURES :

1. INDIA SATCOM LIMITED

India Satcom Limited (ISL) is a Joint Venture Company incorporated on 5th October, 1987 by ITI, Unit Trust of India (UTI) and Equatorial Pacific International Company (EPIC). Both EPIC and UTI had sold their respective stakes in ISL to M/s Chris Tech Systems Pvt. Ltd. (CTSPL) and ITI had also took steps to sell its entire 49% equity stake in ISL to CTSPL. The Government of India, Ministry of Communications & IT vide its letter dated 28.01.2011 has not approved the above said sale of 49% ITI's equity stake in ISL to CTSPL, therefore the transfer of ITI shares could not be effected. Now, the shareholders in the Joint Venture are ITI (49%) and CTSPL (51%).

In the 408th Board meeting held on 6.08.2013, it has been decided that ISL will sign a MOU with NBCC for joint development of the land of ISL for commercial purpose, after obtaining approval from Govt., and after taking necessary approval from statutory bodies. This will go a long way in the revival of the ISL.

QUALITY:

In all the production units of ITI Ltd., the Quality Assurance (QA) wings have been well established. The QA wings are responsible for Quality of products & services rolling out of units. A variety of Environmental test facilities are in force in all the Units. Test systems and instruments for carrying out elaborate tests for conducting Reliability Evaluation on all products to ensure customer satisfaction. This is achieved by sound and effective Quality Management Systems. The Quality Policy of ITI is to "provide Competitive and Reliable Products, Solutions and Services".

All the five manufacturing Plants at Bangalore, Palakkad, Mankapur, Rae Bareli & Naini of the Company have been accredited with and periodically upgraded to International ISO 9001:2008 Standards of Quality Management as on date.

Keeping in tune with the Global concern for Environmental Management, all the plants of the Company have gone in for ISO 14001:2004 EMS certification for all of the Plants and are periodically being upgraded.

The guidance and support to all Units for Training, Implementation, Surveillance and Recertification of ISO 9001:2008, Quality Management System (QMS) and ISO 14001:2004 Environmental Management System (EMS) are provided by Corporate Quality Department. Quality related MOU targets and Quality related issues like AIS, SPC, Six Sigma, 5S, TQM Quality Cost etc., have been achieved.

AIS (Approved Inspection Scheme) status has been granted by BSNL QA for SIM Cards. Localisation activities continued during the year to procure items such as cables, connectors and PCBs for GSM-BTS Project with Alcatel approval and after approval from VDC & VRC of R&D, Bangalore. CAG, VDC, VRC, Standards, Component Testing and Reliability Labs provide Qualification Approval, Standardisation of Electronic components, Vendor Development and Vendor Rating after stringent evaluation in Testing in Reliability and Environmental laboratory.

MANPOWER

Employee Strength at the end of the year 31st March 2013 was 8516 compared to previous year's strength 9512.

As on 31.03.2013, there were 1429 employees belonging to Scheduled Castes and 79 belonging to Scheduled Tribes, thus constituting 16% and 0.92% respectively of the total strength of employees on the rolls of the Company. 10 Contract Engineers belonging to SC category and 3 belonging ST category, 4 Technicians belonging to SC and none belonging to ST were recruited on contract basis during the year 2012-2013.

Employees belonging to Ex-servicemen category numbering 37 and Physically Challenged Persons numbering 108 were on the rolls of the Company as at the end of the financial year.

HUMAN RESOURCES DEVELOPMENT:

During the year 2012-13 the HR (ED) initiated several programmes, keeping in view, the continued organizational turnaround and capacity building efforts and the MoU HRM Training targets, focussed on employee skill development through various need-based in-house training programmes on Management Development, New/Advanced Technology and Multi-skilling. A special emphasis was given to developing leadership skills amongst middle and senior executives. Besides, the company sponsored Senior Executives (GM's and above) for advanced training programmes that provide platform for exploring the organizational growth opportunities.

As part of Organization Development initiatives, for the first time in the company, 'Mentor-Mentee System' has been successfully developed and implemented. To begin with around 30 Executives have been trained as mentors and around 50 officials have been selected as Mentees. During the year, the company successfully carried out Employee Engagement Survey. Quality Circles have also been revived in the company.

On HRM Training, in fulfillment of the MoU parameters, in the General Management area 115 in-house training programmes were organized covering 3835 employees which include training programmes on Stress Management, Medicare etc., 8 training programmes were conducted on Leadership covering 246 employees. As an exclusive initiative to develop multi-skills amongst non-executives, 11 programmes were organized covering 182 non-executives as against the target of conducting 10 Multi-skill training programmes. Similarly, on New/Advanced Technology, 11 programmes were conducted covering 263 employees as against the target of five training programmes. In total, the company has organized 161 programmes as against the target of 120 training programmes. Also, the company has sponsored 16 nominations to renowned external training institutions which included nominations of four Senior Executives (GM's and above).

In total, during the year, 4532 employees have been trained achieving more than 6100 training mandays. In terms of percentage of number of training programmes organized, the company has achieved 120% on New/ Advanced Technology, 160% on Leadership, 115% on MDPs and 110% on Multi-skilling. With respect to the target of 0.4 training mandays per employee per year, the company achieved 0.64 by imparting training to a total of 4532 employees achieving 6100 training mandays. Similarly, against the target training budget of ` 3.21 lakhs - 0.008% of the manpower cost – the company has spent ` 3.72 lakhs i.e., 0.0092% of the manpower cost.

During the year, against every MoU HRM training performance indicator the company's achievements surpassed the targets.

INDUSTRIAL RELATIONS

The Industrial Relations scenario in the Company was cordial during the year. Employees' Union and Officers' Association extended their co-operation and support in ensuring smooth work flow and helped to meet the Company's objective.

OFFICIAL LANGUAGE:

All Units / Offices have established Check-points in their concerned offices to make more efforts for effective Implementation of the Official Language Policy, monitored by the Official Language Implementation Committees constituted in every Unit / Office.

The Progress of Implementation of Official Language in our Corporate Office as well as in our all subordinate Units / Offices is also being periodically reviewed by the OLIC Committee of Corporate office.

In order to enhance the working knowledge of Official Language amongst our employees, officials have been sent to Training Programme organized by the government for imparting training in Hindi, Hindi typing and Hindi Stenography as per our requirement. However, the Official Language Cell of the different Units / Offices has also conducted internal training programmes. Besides, employees were encouraged to take part in Hindi Prabodh, Praveen & Pragya examinations and have been sanctioned financial incentives.

Since eighty percent (80%) of the staff working in our Units / Offices like Naini, Rae Bareli, Mankapur, New Delhi, Mumbai, Lucknow & Corporate Office have acquired working knowledge of Hindi, such Units / Offices have been notified in the Gazette of India as per OL Rules 10 (2) & (4), 1976.

For Bangalore-based Units/Offices, a short term Hindi Unicode training programme were organized in the HRD deptt. of Corporate Office, with the help of Senior Hindi Officer, NAL, Bangalore. More than 30 officers/non-officers participated and they were trained how to use the Hindi Unicode Fonts in day-to-day typing work.

After reviewing our quarterly report, an appreciation letter was also received from Dy. Director-OL, Official Language Department DoT, New Delhi as well as Dy. Director (Implementation), Regional Implementation Office, Bangalore.

A Joint Hindi Fortnight Programme for Bangalore based PSUs / Organisations between 03.10.2012 & 31.10.2012 was organized by TOLIC (Town Office Language Implementation Committee), Bangalore and various types of competitions were arranged during this occasion. On this occasion many officers/ Non-officers of ITI Limited, Bangalore based Units / Offices participated in these competitions and more than 14 Officers / Non-Officers have got the prizes. On the TOLIC Meeting & valedictory function held on 22.01.2013, the President, TOLIC gave the cash prizes and certificate to the wining participants.

"Hindi Fortnight" was celebrated and Hindi Workshops were organised for encouraging progressive use of Hindi during 2012-13. Company's website has been made bilingual (i.e. English and Hindi).

VIGILANCE :

During the year, Vigilance Department functioned effectively and efficiently being a part of Corporate Governance Structure. The prime focus of the vigilance activities was to sensitize the employees towards transparent, ethical and professional approach towards their duties and responsibilities. Greater emphasis was laid on preventive vigilance. CVC guidelines and Government policies in this regard have been strictly followed. To achieve the above objectives, periodical inputs were given to the Management regarding review of Administrative expenses, review of Procedure being followed for selection of technology Partners, implementation of Rotational Transfers of Executives in Sensitive Areas in the Company.

To improve the transparency and efficiency of the procedures, several System Improvement Measures have been suggested to various departments. Constant and continuous efforts have been made in this direction as a part of Preventive Vigilance.

Logical conclusions on Vigilance Cases were arrived at and Special emphasis was taken to reduce the Pendency of Complaints. MIS Reports were sent to Statutory / Government Agencies like DOT-Vigilance and CVC.

The Company observed Vigilance awareness week from 31st October 2012 to 5th November 2012 at all Manufacturing Units including its administrative offices, as well as Corporate Office. Open-house discussions were held with Middle Management Executives of the Company, with specific emphasis on streamlining the System and Procedures in Procurement and recording the Reasons for proposing / taking requisite Commercial /Administrative decisions. The main thrust was to enhance the Vigilance Awareness across the Company and to sensitize employees in work areas and their role in preventing corruption. This also provided a platform for the participants to interact, seek more information and clarify doubts on vigilance concepts and functions. Emphasis was also laid on leveraging IT,creating awareness for transparency and accountability.

Management facilitated up-gradation of Computer Infrastructure in Corporate Vigilance Department and suitable deployment of manpower in Vigilance department across ITI offices. Management established another Vigilance wing at RO office at Lucknow, to monitor vigilance functions at Northern ROs and other North-India based Commercial wings of the Company. Impetus was given to review the pendency of Cases periodically to expedite logical conclusion of the pending cases. Periodical apprisals were also made to the Board of Directors on Vigilance Matters.

The Vigilance department is endeavoring to lay far more emphasis on preventive vigilance, scrutinizing the documents and conducting surprise checks in sensitive departments. These actions had good impact for creating awareness amongst Company Executives on Vigilance aspects of Company Governance.

RIGHT TO INFORMATION:

As a part of imparting training on RTI Act, an in-house training programme was conducted in two batches. The first phase was held at Mankapur on 25th & 26th February 2013 for Northern Units and a few regional offices which was attended by a good number of participants. The second phase of the programme for Southern Units/Regional office was held on 21st & 22nd March 2013 at Bangalore. Both the programme were conducted using the internal faculty of Corporate office.

The programme was aimed at providing in-depth knowledge of the RTI Act. The training was well received by the participants with interactive sessions and lively discussions on several case studies. The programme was rated “Excellent” by all the participants.

Ever since the introduction of RTI Act, the awareness among citizens has been on the increase and during the year 2012-13 RTI cell received and processed 204 requests.

AWARDS:

ITI Bags National Safety Awards from Ministry of Labour & Employment

ITI Ltd. has bagged the prestigious ‘National Safety Awards’ from the Ministry of Labour & Employment for the performance year 2010. Shri K. L. Dhingra, CMD, ITI Ltd, received the awards from Shri Mallikarjun Kharge, Hon’ble Union Minister for Labour & Employment at a function in New Delhi on September 17, 2012.

ITI’s Mankapur Plant, Gonda Dist. Uttar Pradesh, emerged for outstanding performance in Industrial Safety Awards as winner during the Performance Year 2010 based on the Lowest Average Frequency Rate and Runner-Up in Accident Free Year.

SALES PROMOTION:

ITI Limited participated in DEFCOM India 2012 Exhibition

ITI Limited participated in DEFCOM India 2012 held during 8th & 9th November, 2012 at Manekshaw Centre, Delhi. The posters depicting latest products of ITI and the products for which ITI has tie-ups with OEMs were displayed.

In line with the theme of the exhibition, “Tactical Communication System”, the following products were showcased :

1) NGN BEU (New Generation Bulk Encryption Unit)
2) SDR (Software Defined Radio)
3) HF Radio Set

On the first day i.e. 8th November 2012, CMD of ITI shared the dais with Shri Vivek Rae, Secretary MSME, Ad. Secretary (A), Lt. Gen. S.P. Kochar, AVSM, S.M., VSM, ADC, SO-in-C, Maj. Gen. Johar, ADG-TAC and other top officials of telecom companies and presented his views on “ICTEC : Challenges and Opportunities”.

ITI participated in India Telecom-2012 Exhibition

ITI participated in India Telecom-2012 Exhibition which was held at Pragathi Maidan, New Delhi from 13th to 15th December 2012.

Products Displayed:

1) Hand Held Terminal
2) Charge Control Unit (CCU)
3) Solar Panel
4) Solar Structure
5) Multi Channel NGN BEU

Shri Milind Deora, Hon’ble Minister of State for Communications and Information Technology, inaugurated ITI stall in the presence of Shri Kapil Sibal, Hon’ble Union Minister for Communications and Information Technology and Shri R. Chandrasekhar, Secretary, DoT along with Shri K.K. Gupta, Director Production.

EVENTS:

Secretary DPE Visits ITI

Shri O.P. RAWAT, Secretary, Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, GoI, has visited ITI Corporate Office on 07th February 2013 and discussed with 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 and other Management Officials regarding revival of ITI Limited.

National Productivity Week-2013

National Productivity week was observed from 12th to 18th February 2013 at Bangalore Plant. The Productivity week 2013 was inaugurated at ITI Bangalore Plant on 12th February 2013 by Lt.Col. (Retd) A.M. Uniyal, General Manager, Bangalore Plant. The Chief Guest at the function Shri C. Narendra, Senior Deputy Director, National Productivity Council, Bangalore, presented his key note address and highlighted the importance of “Productivity and Innovation for Sustainable Development”.

Shri K.L. Dhingra, CMD, ITI Ltd. addressed the gathering and shared his views on the subject.

Inauguration of New Solar Module Production Plant at ITI, Naini

Shri K.L. Dhingra, CMD, ITI Ltd. inaugurated High Wattage SPV (Solar Photo Voltaic) Module Manufacturing Production Plant on 9th March, 2013 at ITI Naini. He appreciated the exemplary efforts and initiative taken by Naini Plant. He also congratulated Shri P.K. Gupta, GM, Naini & his team for new leap towards diversification. He expressed that this project will contribute towards National Solar Mission in a big way & bring long term sustainable business to ITI.

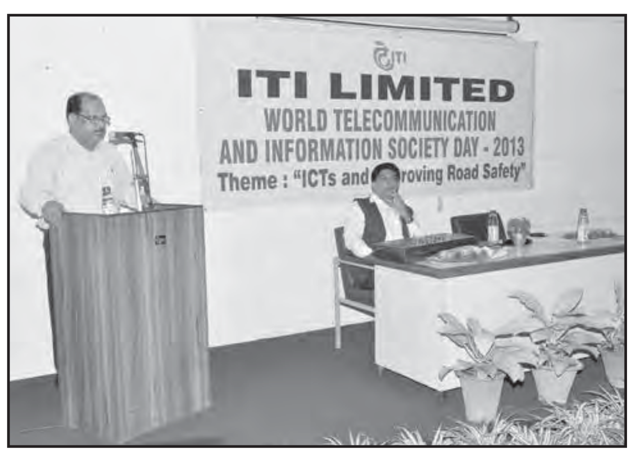
On this occasion he also addressed senior officers, the representatives of Workers ‘Union & Officers’ Association and stressed upon the need of identification of more such diversified products for turn around of ITI Limited.

ITI MoU Concentrates on Revival Plans

ITI has signed a Memorandum of Understanding (MoU) with the Government for the year 2013-14. Shri R. Chandrasekhar, Secretary, DoT and Chairman, Telecom Commission and Shri K.L. Dhingra, CMD, ITI Ltd. signed the MoU on 22nd March 2013 at New Delhi. The thrust areas of the MoU include pursuing growth opportunities in telecom sector and exploiting diversified business such as renewable energy. The MoU envisages that ITI concentrate on revival plans with due approval of the Government agencies.

World Telecommunication and Information Day Celebrations at Bangalore Plant

World Telecommunication and Information Society Day was celebrated at Bangalore Plant and the theme selected by International Telecom Union (ITU) for the year 2013 is “ICTs and Improving Road Safety”.



As part of the programme, a combined valedictory function was held at Old R & D Conference Hall. Shri Sridhar Rao, AGM (B) welcomed the gathering. The Chief Guest Shri Bhaskar Rao, IPS, IGP (Anti-Terrorist Cell), delivered the keynote address on the subject and enlightened the employees about the revival of KSRTC when he was the Commissioner of Transport Dept. & Road Safety, Government of Karnataka. Shri K.L.Dhingra, CMD, ITI Ltd., presided over the function and delivered presentations address. Function was attended by other dignitaries are Shri R.K. Agarwal, Director Marketing, Shri K.K. Gupta, Director Production, Shri R.Venkataraman, CVO and other Senior Officers, Office bearers of OA, Union and all other employees participated in the function.

ENTERTAINMENT EXPENDITURE AND FOREIGN TRAVEL:

The expenditure on entertainment was NIL. Expenditure on official travel abroad by the officials of the Company amounted to ` 0.74 lakh during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required to be disclosed under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are annexed.

PARTICULARS OF EMPLOYEES:

The statement of particulars of employees drawing remuneration of ` 60.00 lakhs and above per annum or ` 5.00 lakhs and above per month are required to be included in the Directors' report as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Amendment Rules, 2011, are NIL for 2012-13.

AUDITORS:

Pursuant to Section 619(2) of the Companies Act, 1956, M/s. Badari, Madhusudhan & Srinivasan, Chartered Accountants, Bangalore were appointed as Statutory Auditors of the Company for the year 2012-13 by the Comptroller & Auditor General of India.

The following firms of Chartered Accountants were appointed /re-appointed as Branch Auditors for different Plants of the Company for the year 2012-13:-

M/s Nagendra Gupta S. R. Gupta & Co.,
Naini Plant, Allahabad

M/s Thrivikraman & Co.,
Palakkad, Palakkad Plant

M/s Samriti & Associates,
Jammu, Srinagar Plant

M/s Habibullah & Co.,
Gorakhpur, Mankapur Plant

M/s S.C. Singh & Co.,
Rae Bareli, Rae Bareli Plant

COST AUDITORS

Your Company has appointed M/s.GNV & Associates, Bangalore, as Cost Auditors for the cost audit of south-based units located at Bangalore, Palakkad and also Consolidation for the Company and M/s. Aman Malviya & Associates, Lucknow, as branch auditors for the cost audit of north-based units, located at Naini, Rae Bareli, Mankapur and Srinagar for the year 2012-13, with the approval of Board and Ministry of Corporate Affairs.

BOARD OF DIRECTORS:

The following changes took place in the Directorate of your Company since the last Report.

In accordance with the requirements of the Companies Act, 1956, Shri Dhirendra Singh, Independent Director, Prof. M.J.Zarabi, Independent Director joined on 03.10.2012 and Prof. Ramesh Bhat, Independent Director joined on 03.01.2013 will retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

On completion of tenure, Shri T.S. Narayanasami, Prof.M. Balakrishnan and Dr. S.K. Chaudhuri, Independent Directors were relieved from the duties from March, 2013.

CORPORATE GOVERNANCE:

A report on Corporate Governance along with a Compliance Certificate from the Auditors as prescribed under the Listing Agreement with the Stock Exchanges on which the Company's shares are listed, is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions under Section 217(2AA) of the Companies Act, 1956 your Directors state that:

(i) in the preparation of annual accounts, the applicable accounting standards have been followed and that there were no material departures.

(ii) the accounting policies adopted by the Company have been applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2013 and Loss of the Company for the period ended 31.3.2013.

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT:

Your Directors place on record their sincere thanks for the assistance and support extended by the Ministry of Communications & IT and various other Ministries of Central and State Governments viz., Karnataka, Uttar Pradesh, Kerala and Jammu & Kashmir and look forward for their continued support and co-operation in future.

Your Directors also wish to express their gratitude for the co-operation and assistance extended by BSNL and MTNL, Banks, Suppliers, Shareholders, Bondholders, Depositors, Agents, Customers and Foreign Collaborators, Committee on Public Undertakings (COPU), Standing Committee on Public Enterprises (SCOPE) and Standing Committee on Information Technology.

Board of Directors also express its sincere thanks to the Comptroller and Auditor General of India, Chairman and Member of the Audit Board and Statutory and Branch Auditors.

Your Directors take this opportunity to place on record their appreciation for the valuable contribution made and excellent co-operation rendered by the employees at all levels for the progress and prosperity of the Company.

For and on behalf of the
Board of Directors

(K. L. Dhingra)
Chairman and
Managing Director

Place: Bangalore
Date: 29.05.2013

ADDENDUM TO THE DIRECTORS REPORT

COMPANY'S REPLIES TO STATUTORY AUDITOR'S OBSERVATIONS IN THEIR REPORT

Point No	Statutory Auditors Observations	Company's Remarks
Qualifications not quantifiable (a) & 4(ii)	Aggregate inventories as at 31.3.2013 were ` 13866.29 lakhs against which provision of ` 3375.58 lakhs is held towards non-moving and obsolescence (net inventory ` 10490.71 lakhs). In view of Company's production activities having come down substantially and slow movement in the inventory, there is a need for systematic age wise segregation and analysis of the items comprised in the inventory to assess their usefulness/usability in the production & servicing activities, period over which they could be used as also whether the inventory items are capable of being sold/disposed off as standalone items. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards non moving and obsolete inventories and the eventual realizable amount in respect of the inventories, as also the possible effect on the financial statements.	Provision for inventory is made on case to case basis after a review by a technical committee in each unit and then approved by the Board of Directors. The inventory has been reviewed and the existing provision is found to be adequate.
(a) & 4(iii)	In relation to sale of goods & services, scope for improvement in the accounting for contract revenues as also monitoring and recovery of the high level of trade receivables of ` 413623.42 lakhs as at 31.3.2013 in relation to gross sales turnover of ` 92199.80 lakhs in 2012-13 investment of ` 40.55 lakhs including timely adjustment of the advances received from the customers, in the absence of which correct position of trade receivables is not arrived at. Against aggregate receivables of ` 413623.42 lakhs (of which ` 272716.91 lakhs are long term), provision held towards doubtful receivables is ` 6891.08 lakhs(of which ` 4332.91 lakhs is for long term receivables) and Company follows the practice of making provision for doubtful receivables on a case to case basis(Refer Significant Accounting Policies 17.00). There is a need for systematic age wise segregation, analysis, adjustment of advances received from the customers and reconciliation of the trade receivable accounts. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards doubtful debts and the eventual realizable amount in respect of the trade receivables, as also the possible effect on the financial statements.	As per our Accounting policy, provision for doubtful debts is being made after review on case to case basis. The existing provision is found to be adequate. Efforts are being made to adjust the outstanding advances against the debtors.
(b)	Investment of ` 40.55 lakhs in the unquoted equity shares of a Company being continued to be shown at cost, though the Company remains closed and impairment loss having not been ascertained and provided for(Refer Significant Accounting Policies 5.00 and Note No.17).	The investment of `40.55 lakhs is in M/s ISL, a joint venture company. The asset (Land), which has been revalued by the SBI Panel valuer carries a value very much more than the cost of the investment. Hence the investment of ` 40.55 lakhs has been shown at cost.
(c)	Pending approval from the Government of India for the lease terms and finalization of the lease terms & agreement, rental on lease of land to the Bangalore Metropolitan Transport Corporation(BMTC)(of the 12.15 acres to be leased, 8.22 acres of land is already in possession of the BMTC), not recognised as income. ` 285.00 lakhs received earlier from the BMTC is held under deposits(Refer Note 40.17).	The case has been referred to DoT to get approval for leasing the property to BMTC.

(d)	Non provision of interest payable on royalty to C-DoT(Refer Note No. 35) in view of rental dues from the same agency for the premises taken on rent from the Company being more than the royalty amount(Refer Note No. 40.21).	Interest on royalty payable to C-DoT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time from C-DoT on account of rent payable for the Company's premises leased out to them.
(e)	Interest and penalty, if any, leviable for non remittance of statutory dues on sales accounted on provisional basis(tax incidence on such sales not recognized) and delayed/short remittance of other statutory dues as also non deduction of TDS as per the provisions of Income Tax Act, 1961.	All known liabilities have been accounted for. There are no cases of non-deduction of TDS to the best of our knowledge.
Qualifications quantifiable (a)	Non provision of ` 6897.31 lakhs towards claims doubtful of recovery comprising of (i) rent of ` 5847.90 lakhs for a leased premises up to 31.3.2011, rent from 1.4.2011 for the same premises being deferred for recognition on accrual basis due to uncertainty of realization (Refer Note No. 21); (ii) liquidated damages of ` 1049.41 lakhs on a supplier, rejected by the Arbitral Tribunal. Had the said amounts been provided in the accounts, loss for the year would have been higher by ` 6897.31 lakhs and consequently reserves & surplus and current assets would be lower by similar amount.	As regards rent from C-DoT, the subject is being discussed at the highest levels in the Government of India. Company is of the view that provision for ` 5847.90 lakhs at this juncture is not required till the issue is finally settled. As regards LD of ` 1049.41 lakhs, the matter is in the Court. After the Court's verdict, suitable action will be taken .Till then, it is felt that no provision is required to be made.
Annexure to Auditor's report 1(a)	The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information other than at Bangalore Plant where the records are to be updated in relation to situation and adjustment for revaluation.	Noted for compliance.
1(b)	According to the information and explanations given to us, fixed assets have been physically verified by the management other than at the Bangalore Plant and no material discrepancies were noticed on such verification. At the Bangalore Plant, continuous verification system is said to have been followed. However, documentation does not support comparison of the extent of verification to the total assets and book balance to physical balance, resulting in inability to comment on the reasonableness of the intervals of verification, materiality of discrepancies, if any, and whether the same has been dealt with appropriately in the books.	Noted for compliance.
2(a)	According to the information and explanations given to us, inventories (excluding those with third parties) have been physically verified by the management at reasonable intervals other than at Bangalore Plant where perpetual inventory system verification has been followed. However, documentation does not support assessment of the reasonableness of the intervals of verification.	Noted for compliance.

2(b)	In our opinion and according to information and explanations given to us, the procedure for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business other than at Bangalore Plant wherein documentation does not support comparison to the extent of physical verification to the total inventory as also examination of the adequacy of the system of verification followed.	Noted for compliance.
2(c)	In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification of the inventory other than at Bangalore Plant wherein documentation does not support comparison of physical balance with book balance resulting in inability to comment on the materiality of discrepancies, if any and whether the same has been dealt with appropriately in the books.	Noted for compliance.
4	In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods & services except for the following areas, wherein internal control systems need to be considerably strengthened, to address weaknesses, continuing or otherwise, therein: (i) Inadequacies in relation to maintenance of fixed asset records, systems of physical verification of fixed assets & inventory, ascertaining discrepancies as also their materiality and proper treatment of the discrepancies as observed.	Noted.
7	The Company has an Internal Audit System, implemented through the in-house Internal Audit Department, which in our opinion requires further strengthening with respect to personnel, scope of the audit, reporting and systematic follow up to make it commensurate with the nature of business and size of the Company.	Efforts are being made to strengthen the Internal Audit Department by increasing the manpower and improve coverage and scope of the internal audit work.
9(a)	The Company has generally been regular in depositing undisputed statutory dues including Provident Fund other than ` 6768.00 lakhs pertaining to Naini and Rae Bareli units, Employees State Insurance, Sales Tax & Service Tax other than on sales set up on provisional basis in respect of which tax incidence is not recognised & accounted, Customs Duty, Excise Duty, Cess and other statutory dues. According to the information and explanations given to us, other than to the extent indicated above, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31.3.2013 for a period of more than six months from the date they became payable.	Revival package submitted through Operating Agency SBI,has been approved in principle by Ministry, BIFR and also by BRPSE. The dues will be cleared once the financial assistance is received from the Ministry. As regards, sales tax and service tax on sales accounted on provisional basis, there are no comments to offer.
10	The accumulated loss of the Company as at 31.03.2013 was not less than fifty percent of its net worth. The Company has incurred cash loss in the financial year under audit and in the immediately preceding financial year.	Noted.

ANNEXURE TO THE DIRECTORS' REPORT

Section 217 (1) (e) of the Companies Act, 1956 read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY:

(a) Energy conservation measure taken:

The Company has undertaken following energy saving measures:

1. Recommendations of Bureau of Energy Efficiency have been implemented from time to time.
2. Optimum usage of Plant & Utilities.
3. Monitoring of power factor at regular interval.
4. Replacement of old high capacity equipments with multiple optimum size capacity energy efficient ones.
5. Replace conventional electro-magnetic ballast fluorescent fitting with electronic ballast fluorescent tri-phosphate lamp fitting.
6. Running time of various tube wells / compressors has been rationalized.
7. Replacement of old and less energy efficient UPS by portable small capacity UPS.
8. Offloading of Central Air Conditioning plant in winter season.
9. Use of timer control devices in street lighting, etc.
10. Diverting the load on single transformer to reduce no-load losses.
11. Training programmes / competitions among employees to create awareness on energy conservation.

(b)	Additional investments : if any, being implemented for reduction of consumption of energy.	Nil
(c)	Impact of the measures at (a) : & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	N.A.
(d)	Total energy consumption and : consumption per unit of production as per Form 'A' of the Annexure in respect of industries specified in schedule thereto.	N.A.

B. TECHNOLOGY ABSORPTION:

Efforts made in Technology absorption as per Form B

F O R M – 'B'

Annexure-D

RESEARCH AND DEVELOPMENT (R&D) 2012-13

I. Specific areas of R&D work.

a) Design and Development of products in Encryption, SCADA, Wireless, Biometrics, Access, NMS &Telephones

b) Value addition of the existing products.

c) Provide Network & security solution designs.

II. Benefits derived as a result of the above R&D.

a) The following R&D Products were productionised, which contributed to about ` 7 Crores to the turnover of the Company.

1) PRIMARY MUX
2) 2/4/8 Mbps BEU
3) IP ENCRYPTOR
4) TELEPHONES & SPARES (5B, 5C, Magneto, FAT-2A, Naval Telephone)
5) CLOCK DISTRIBUTION UNIT
6) Executive Telephone System (ETS -04)
7) SCADA for Railways.

b) Development Completed

1) SCADA for water Management - RTU development completed; waiting for participation in Tenders
2) ISM Band Radio. – Development completed

c) Other Achievements

1) Order worth ` 57 Crores has been received for DCN project for supply & AMC of In-house developed products - NGN BEU, IP Encryptor and TESD.
2) Extended technical support for ASCON Phase IV RFI.

III. PLAN OF ACTION: The following products are under development

a) Giga Bit Ethernet Encryptor - Development In progress
b) 10 Gig Ethernet IP Encryptor - Study phase
c) Biometric Telephone - Prototype developed based on the feed back. Modifications are in progress
d) Next Generation BEU. - Trials to Army completed; to be taken for trials of DCN Test Bed.
e) Terminal End Secrecy Device. - Modifications are in progress.
f) SMPS for BHEL - Development in progress.

IV. Future Projects to be considered for Development

1. IP SCADA
2. Multi Channel Encryption Unit

V. R&D Expenditure

a) Capital	` 0.05 Crores
b) Revenue	` 17.70 Crores
TOTAL	**` 17.75 Crores**

Total R&D Expenditure as a percentage of total turnover (Including Excise Duty and Service Tax): 1.93 %.

Technology Absorption, Adaptation and Innovation:

1. Efforts in brief made towards technology absorption, adaptation and innovation:

a. Manufacturing of G-PON equipments based on C-DOT technology.

b. Manufacturing of Smart card based Citizen ID cards.

c. Manufacturing of Solar panels and LED lighting systems.

2. Benefits derived as a result of the above efforts:

As a result of the above endeavor, ITI has been able to make concerted efforts into diversified products. ITI is already into Mobile equipment manufacturing activities and making forays into wireless Broadband market as well as Next Generation Network environment.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) information may be furnished:

GSM-BTS manufacturing with Alcatel-Lucent Technology has been fully stabilized.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(i) Activities relating to exports, initiative taken to increase exports, development of new Export markets for products and services and export plans;

There had been no significant initiative in export market. Now ITI is trying to address various opportunities in this market also and are hopeful to make break through.

(ii) Total Foreign Exchange earning and outgo:
Earnings : ` NIL Crs.
Outgo : ` 51.54 Crs.

Registered Office:
ITI Bhavan,
Doorvaninagar,
Bangalore - 560 016

For and on behalf of the
Board of Directors

Place: Bangalore
Date: 29.05.2013

K. L. Dhingra
Chairman and Managing Director

ANNEXURE TO THE DIRECTOR'S REPORT

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective of enhancing shareholder value and discharge of social responsibility. The Company has complied with guidelines on Corporate Governance for CPSEs. In pursuance of Listing Agreement with the stock exchanges, the report on Corporate Governance is as follows:

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:-

The Company strongly believes that good Corporate Governance practices should be enshrined in all activities of the Company to ensure efficient conduct of the affairs of the Company, discharging social responsibilities as a corporate citizen, customer satisfaction, enhancing shareholder value etc.

ITI Limited, therefore committed to the highest standards of corporate governance, follows the basic tenets of integrity, transparency, accountability, high degree of disclosures and responsibility in all its activities and has put in place systems of good Corporate Governance.

2. BOARD OF DIRECTORS:-

As on 31st March 2013, Board of Directors comprises of Chairman & Managing Director, 3 Full Time Directors, 1 Part-time Director from Ministry of Communications & IT, 1 Part-time Director from Ministry of Defence, Government of India and 3 Independent Directors.

During the year, 8 Board Meetings were held on 14.05.2012, 04.08.2012, 28.09.2012, 06.10.2012, 09.11.2012, 06.12.2012, 10.01.2013 and 13.02.2013.

The composition of Directors, their attendance at the board meetings during the financial year and at the last Annual / Extra-Ordinary General Meeting as also number of other directorships held by them are as follows:

Name of the Directors	Category Of Director-Ship	Meeting held during respective tenure of Director	No. of Board Meeting attended	Attendance at last AGM	Number of Other Directorship	No. of Committees in which Chairman / Member
Shri .K. L. Dhingra	CMD	8	8	Yes	1	--
Shri R.K. Agarwal	D-M	8	8	Yes	--	--
Shri K.K Gupta	D-P	8	8	Yes	1	--
Shri Ravi Khandelwal	D-F	8	8	Yes	1	--
Lt.Gen.S.P.Kochhar	Govt. Nominee	8	1	No	2	-
Shri N.K.Joshi	Govt. Nominee	8	7	No	2	--
Shri T.S.Narayanasami (Upto March 8, 2013)	Independent Director	8	--	No	2	1 – Chairman 7 – Member
Prof M. Balakrishnan (Upto March 8, 2013)	Independent Director	8	6	No	--	--
Dr. S.K. Chaudhuri (Upto March 8,2013)	Independent Director	8	4	No	9	--
Shri Dhirendra Singh (from October 3, 2012)	Independent Director	5	5	No	--	--
Dr.M.J.Zarabi (from October 3, 2012)	Independent Director	5	4	No	--	--
Prof. Ramesh Bhat (from January 3, 2013)	Independent Director	1	1	No	--	--

CODE OF CONDUCT :

Board of Directors of your Company has laid down a Code of Conduct for all Board members and senior management of the Company as per Clause 49 of the Listing Agreement with Stock Exchange. The Code of Conduct has been posted on your Company's website www.itiltd-india.com All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration to this effect signed by the Chairman and Managing Director is annexed to this report.

3. AUDIT COMMITTEE:

The terms of reference of the Audit Committee are as per guidelines set-out in the Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

The Audit Committee was last reconstituted on 14.05.2012. The Company's Audit Committee consisted of three Independent Directors and one Whole-time Director. Shri T.S.Narayanasami, Independent Director was a Chairman of Audit Committee and other members were Shri K.K.Gupta, Dr.S.K.Chaudhuri and Shri M. Balakrishnan as members. On completion of tenure, Shri T.S.Narayanasami, Dr.S.K.Chaudhuri and Shri M. Balakrishnan, Independent Directors were relieved from the duties w.e.f March, 2013. In addition, the Statutory Auditors of the Company, the Director- Finance, Internal Auditor and other Executives who are considered necessary generally attend these meetings. The Company Secretary is the Secretary to the Audit Committee. Chairman of the preceding Audit Committee attended the Annual General Meeting of the Company held on 28.09.2012.

The Committee oversees, inter alia, the financial reporting system and disclosure requirements. The Committee also reviews periodically the financial accounts, compliance with Accounting standards, internal control systems, financial and risk management policies of the Company.

During the year-ended 31.03.2013 the Audit Committee met 5 times i.e., on 14.05.2012, 11.08.2012, 09.11.2012, 22.01.2013 and 13.02.2013.

The attendance of Chairman & Members of the Audit Committee in these meetings was as follows:

Name	Meeting held during respective tenure of Director	No. of meetings attended
Shri T.S.Narayanasami	5	2
Dr. S.K.Chaudhuri	5	4
Shri M.Balakrishnan	5	4
Shri K.K.Gupta	5	5

4. REMUNERATION COMMITTEE / REMUNERATION POLICY

Being a Central Public Sector Enterprise, the appointment, tenure and remuneration of Directors are decided by the Government of India through administrative Ministry and hence, the Company has not constituted any Remuneration Committee.

The remuneration paid to Whole-time Directors for the financial year 2012-13 are as follows:

(Remuneration in `)

Sl. No	Name of the Director	Salary	P.F. Contribution	Perquisites	Total
1	K.L. Dhingra	1589814	312282	235386	2137482
2	Ravi Khandelwal	1486876	236104	220536	1943516
3	K.K. Gupta	981348	107808	133500	1222656
4	Rajni Kumar Agarwal	982012	108241	134040	1224293

Part-time Government Directors (non-executive Directors) are not paid any remuneration. They are also not paid sitting fees for attending Board/Committee meetings. However, the Independent Directors are paid sitting fees of ` 3000/- for attending Board/Committee Meetings. An amount of ` 90,000/- has been paid as sitting fee to the Independent Directors during the year for attending the Board and Committee Meetings.

5. SHARES AND BONDS TRANSFER COMMITTEE:

The Shares and Bonds Transfer Committee was reconstituted comprising of Shri K.K. Gupta as Chairman and Shri Ravi Khandelwal, Director-Finance as member.

The Shares and Bonds Transfer Committee approves transfer/transmission of shares / bonds, split/ consolidation proposals and other related work. Company Secretary is the Compliance Officer.

The Company has a shareholders base of 41,594. During the year 1 complaint in the nature of non-receipt of dividend warrants, non-receipt of share certificates after effecting transfer, requests for issue of duplicate share certificates, non-receipt of Annual Report were received from the shareholder and it has been resolved to the satisfaction of the shareholder.

6. GENERAL BODY MEETINGS:

The dates, time and venue of the previous Annual / Extra-Ordinary General Meetings held during the last three years are given below:

YEAR	DATE	TIME	VENUE
2009-2010	30.09.2010	11.30 A.M.	BANGALORE TAMIL SANGAM, BANGALORE
2010-2011	28.09.2011	11.30 A.M.	BANGALORE TAMIL SANGAM, BANGALORE
2011-2012	28.09.2012	11.30 A.M.	BANGALORE TAMIL SANGAM, BANGALORE

All the resolutions, including special resolutions, set out in the respective notices of last three Annual General Meetings were passed by the shareholders. No resolution were put through postal ballot last year.

7. DISCLOSURES:

(i) There were no transactions of material nature with the directors or the management or their relatives during the year.

(ii) There were no cases of non-compliance by the Company and no penalties/strictures were imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authority on any matter related to capital markets, during the last three years.

8. MEANS OF COMMUNICATION:

The quarterly and annual financial results of the Company are sent to the Stock Exchange by means of facsimile transmission/e-mail and letter by courier immediately after they have taken on record by the Board. For the year April 2012 to December 2012 the three quarter unaudited results and the fourth quarter January 2013 to March 2013 audited results are published in the Business Standard, Sanjevani and Rajasthan Patrika. Press releases are also being sent to the Stock Exchange and posted on Company's website www.itiltd-india.com

The Company's website contains separate section for Investor under the heading Financial Information wherein Company's Annual Report, Quarterly financial results and shareholding pattern are available on the website in downloadable form.

No presentation has been made to institutional investors or analysts.

9. GENERAL SHAREHOLDERS INFORMATION:

The 63rd Annual General Meeting of the members of the company is scheduled to be held on Friday, the 27.09.2013 at 11.30 A.M. at Bangalore Tamil Sangam, No. 59, Annaswamy Mudaliar Road, Bangalore-560 042.

The company's financial year is divided into 4 quarters, viz.

FIRST quarter	1ST APRIL TO 30TH JUNE
SECOND quarter	1ST JULY TO 30TH SEPTEMBER
THIRD quarter	1ST OCTOBER TO 31ST DECEMBER
FOURTH quarter	1ST JANUARY TO 31ST MARCH

The share transfer books would remain closed during the period from 19.09.2013 to 26.09.2013 (both days inclusive).

The Company's shares are listed at Bombay Stock Exchange Ltd.,Mumbai, The National Stock Exchange of India Ltd., and Bangalore Stock Exchange Ltd, Bangalore. Your Company has remitted the Listing fees for the year 2012-2013 to the above Stock Exchanges. Scrip Code of Bombay Stock Exchange is - Scrip Code:523610.

10. STOCK MARKET PRICE DATA FOR THE YEAR 2012-2013:

The market quotation of Company's shares on Bombay Stock Exchange is as follows:

MONTH	HIGH	LOW
APRIL 2012	27.10	21.25
MAY 2012	23.25	18.70
JUNE 2012	19.60	25.20
JULY 2012	23.50	26.15
AUGUST 2012	22.20	24.70
SEPTEMBER 2012	21.80	26.50
OCTOBER 2012	23.85	27.90
NOVEMBER 2012	23.40	24.75
DECEMBER 2010	23.40	23.80
JANUARY 2013	25.55	22.00
FEBRUARY 2013	23.70	19.05
MARCH 2013	19.65	15.65

For any assistance regarding share transfers, transmissions, change of address, non-receipt of dividends, duplicate, missing share certificates and other relevant matters, the Registrars and Share Transfer Agents of the Company at the following address may be contacted:

M/s Integrated Enterprises (India) Ltd.
(formerly M/S Alpha Systems Pvt. Ltd.)
30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore 560 003.
Phone No.080- 23460815-818
Fax: 080 23460819 E-Mail: alfint@vsnl.com

12. ITI CODE FOR PREVENTION OF INSIDER TRADING:

ITI has adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company. The ITI Insider Trading Rules, interalia, prohibits purchase/sale of shares of the Company by employees who are in possession of unpublished price sensitive information in relation to the Company.

13. SHARE TRANSFER SYSTEM:

All kinds of Investors' related services, both for physical and electronic segments are handled by M/s Integrated Enterprises (India) Ltd. (formerly Alpha Systems Private Ltd.), Registrar and Share Transfer Agent at their address mentioned above. Transfer of dematerialized shares is done through the depositories with no involvement of the Company. As regards transfer, transmission of shares held in physical form, the transfer documents can be lodged with Registrar., afterwards they will send memorandum of transfer to the Company for approval. The Share Transfer Committee of the Company considers the same once in a fortnight and conveys its approval to the Registrars, who despatch the duly transferred share certificates to the shareholders concerned.

As on 31st March 2013, a total of 1,94,69,871 shares of the Company, which forms 96.29% of the disinvested portion of 7.02% (2,02,19,310) of the share capital of the company stands dematerialized. The shares held by President of India (26,74,68,190) in DEMAT form and Governor of Karnataka (3,12,500) in physical form aggregating to 92.98%.

14. SHAREHOLDING PATTERN (EQUITY):

Name	No. of Shares of ` 10/- each	Amount `	Percentage
President of India (GoI)	267468190	2674681900	92.87
Governor of Karnataka (GoK)	312500	3125000	0.11
General Public (Disinvested portion)	20219310	202193100	7.02
TOTAL	**288000000**	**2880000000**	**100.00**

15. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2013:

Sl. No	Description	Holders	% of Holders	Holdings	% of Holdings
1	1-500	36379	86.57	5965001	2.07
2	501-1000	3167	7.54	2706460	0.94
3	1001-2000	1343	3.20	2117576	0.74
4	2001-3000	398	0.95	1035371	0.36
5	3001-4000	172	0.41	621095	0.22
6	4001-5000	187	0.45	898536	0.31
7	5001-10000	214	0.51	1580916	0.55
8	10001& above	162	0.39	273075045	94.82
	TOTAL	**42022**	**100.00**	**288000000**	**100.00**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. INDUSTRY STRUCTURE, OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

The Indian telecommunications industry is one of the fastest growing in the world. The industry has witnessed consistent growth during the last year on the back of rollout of telenetworks by operators, auction of third-generation (3G) and broadband wireless access (BWA) spectrum, network rollout in semi-rural areas and increased focus on the value added services (VAS) market.

According to the Telecom Regulatory Authority of India (TRAI), the number of telephone subscriber base in the country reached 846.32 million at the end of March 31, 2013. The booming domestic telecom market has been attracting huge amounts of investment which is likely to accelerate with the entry of new players and launch of new service. The 'Indian Telecom Industry' services are not confined to basic telephone but it manufactures a vast range of telecom equipment using state-of-the-art technology.

Customers are now at their peaks on choice of operators and the various kinds of services they desire. To remain competitive, telecom Companies have to transform their operations, re-engineer business processes and deploy flexible technology architecture that can accommodate business and regulatory demands easily. Broadband and wireless networks, as well as the likely convergence of various technologies and standards, will drive the telecom market growth in India in the coming years.

With state-of-the-art manufacturing facilities spread across six locations and a countrywide network of marketing/service outlets, the Company offers complete range of telecom products and total solutions covering the whole spectrum of Switching, Transmission, Access and Subscriber Premises equipment. In tune with the technology trend, ITI has continued to manufacture mobile equipment based on GSM (Global System for Mobile).

Opportunities and Threats:

ITI and its consortium partner Spanco Ltd implemented Orissa State Wide Area Network (OSWAN), a flagship project of Orissa Government under the National e-governance plan (NeGP). The project is valued at `69.80 Crores. This turnkey project includes supply, installation, commissioning and operation of State Wide Area Network on Build Own Operate Transfer (BOOT) basis for five years. Further, ITI has been awarded another SWAN project of Mizoram State.

ITI has signed an agreement with Centre for Development of Telemetics (C-DoT) concerning transfer of technology for C-DoT Gigabit Passive Optical Network (G-PON) System. This association between ITI and C-DoT will strengthen and develop the indigenous technologies on a commercial scale.

ITI has 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 customer care center for covering the entire Restructured Accelerated Power Development Reforms Program (R-APDRP) Scheme. The order value is ` 307.27 Crores

ITI has entered into agreement with Scalene Greenergy Corporation Limited, Bangalore, 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 for domestic use as well as for Captive power generation.

ITI has been looking for various business opportunities in area such as New Generation Netwrok (NGN), Broadband for Panchayat, Infrastructure at Rural Sites for Mobile Connectivity, Defence Products, LED Lighting Business and Solar Power Solutions as an existing as well as diversified products.

I-n the changing environment, the Company has identified the following threats:

- Intense competition due to large number of international players.
- Open market competition with MNCs like ZTE, Huawi, Alcatel-Lucent, Nokia, Ericsson, siemens etc.
- Rising prices of Input.
- Keeping pace with technology change,
- Private Participation in the Industry,
- Exorbitant cost for sourcing of Technology.
- Low price realisation in telecom sector.

Future Outlook:

ITI is putting thrust on diversified businesses. The Company is focusing on the National Population Register (NPR) project and is also expecting a good business in the Unique Identification (UID) project. ITI is also planning to address Government of India Projects like ‘Broadband to Panchyats’ and Rural Connectivity

ITI has been exploring various options of introducing renewable energy Green Products like Fuel Cell Based Power Plants and Solar Panels for Powering telecom Towers.

Your Company is laying emphasis on training and redeployment of manpower for faster skill formation in new areas to ensure that ITI remains highly competitive in the growing convergence era, which is one of thrust area of MoU which was signed with Telecom Commission for the year 2011-12. Other areas are quality, technology upgradation reduction of non-performing assets and realization of sundry debtors.

ITI’s revival plan envisages re-alignment and upgradation of manufacturing infrastructure and building a solutions and services business and diversification with focus on IT and telecom software and exports.

II. RISK MANAGEMENT

Telecom Sector is witnessing a rapid change both in market and technology fronts.

Your Company continues to believe that managing risk is critical for its growth and sustenance. The Company has adopted a Risk Management framework, which comprises the risk organization structure, procedures and the risk management policies. The Company is constantly monitoring and assessing the internal as well as external risk factors associated with its day to day business operations and financial management and thereby effectively mitigating possible risks associated therewith. The Company’s business, operating results and financials are subject to various risks and uncertainties. Some of them are as Changes in Economy, Financial Risk, Interest Risk, change in market and technology etc.

Your Company has laid focus on Risk assessment for all projects thereby improving project performance and avoiding uncertainties.

III. HUMAN RESOURCES

As at 31st March, 2013, your Company had a total strength of 8516 as compared to 9512 at the end of the previous year.

IV. INTERNAL CONTROL MEASURES

The Company has an adequate system of Internal Control Measures with a view to provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Company has an Internal Audit Department, which continuously reviews compliance with the Company's procedures, policies, applicable laws and regulations. The department coordinates with the Units/Divisions of the Company for ensuring coverage of all areas of operations in order to bring a transparency in the whole spectrum of the Company. The Internal Control Systems are reviewed by the Audit Committee. The CEO/CFO certification provided elsewhere in the report discusses about the adequacy of our internal control systems and procedures.

V. FINANCIAL PERFORMANCE

Your Company has achieved a sales turnover of ` 921 Crs. for the year ended 31st March, 2013, as compared to ` 993 Crs. in the previous year.

CAPITAL STRUCTURE :

The Authorised Share Capital of the Company is ` 700,00,00,000 (Rupees Seven Hundred Crs. only) divided into 30,00,00,000 equity shares of ` 10/- each and 4,00,00,000 Redeemable Cumulative Preference Shares of ` 100/- each.

The paid up Share Capital of the Company comprises of ` 288 Crs. as Equity Shares and ` 300 Crs. as Preference Shares.

VI. CAUTIONARY STATEMENT

Statements made in the Management Discussion and Analysis about your Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's performance include economic conditions affecting demand/supply and price conditions in the domestic market in which your Company operates, changes in Government regulations, tax laws, statutes and other incidental/related matters.

DECLARATION

As provided under clause 49 of the Listing Agreement with Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management Personnel of the Company for the year ended 31st March, 2013.

For ITI LIMITED

Place : Bangalore
Date : 29.05.2013

K. L. Dhingra
Chairman and Managing Director

CEO/ CFO CERTIFICATION

To the Board of Directors of ITI Ltd.

Dear Sirs,

SUB: CEO/ CFO CERTIFICATION

(Issued in accordance with provisions of Clause 49 of the Listing Agreement)

We have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' report of ITI Limited for the year ended March 31, 2013 and that to the best of our knowledge and belief, we state that:

(a) (i) These statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading.

(ii) These statements present a true and fair view of your Company's affairs, and are in compliance with existing accounting standards and / or applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or in violation of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.

(d) We have disclosed, wherever applicable to your Company's Auditors and the audit committee of the Company's Board of Directors

(i) significant changes in internal controls during the year covered by this report.

(ii) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.

(ii) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in your Company's internal control system:

Place : Bangalore
Date : 29.05.2013

K. L. Dhingra
Chairman and Managing Director

CERTIFICATE OF CORPORATE GOVERNANCE

To the Members of ITI Limited,

We have examined the compliance of conditions of Corporate Governance by ITI Ltd., for the year ended on 31st March, 2013 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

The Compliance of conditions of corporate governance is the responsibility of Company's Management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financials of the Company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following:

1. Company does not have the required strength of Independent Directors whereas it should have ensured that half of its Board of Directors should comprise of Independent Directors, as it has an Executive Chairman.
2. Company has not constituted Remuneration Committee as stipulated under the listing agreement due to fixation of remuneration by the Department of Public Enterprises.
3. Based on the certificate received from the share transfer agents of the Company, we have to state that no investor grievance is pending for a period exceeding one month.

We certify that the Company has complied with the conditions of corporate governance as stipulated in the aforementioned listing agreement.

We further state that such compliance is neither an assurance as to the future viability nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **BADARI, MADHUSUDHAN & SRINIVASAN,**
CHARTERED ACCOUNTANTS

Sd/-
(T.V. SUDARSHAN)
PARTNER

M. No. 019108
FRN: 005389S

Date: 29.05.2013
Place: Bangalore

SIGNIFICANT ACCOUNTING POLICIES

1.00 Basis of Preparation of Financial Statements

1.01 The Financial Statements have been prepared as a going concern, under the historical cost convention modified by accounting for fixed assets acquired free of cost or by gift, at the market value at the time of such acquisition and revaluation of certain fixed assets, on accrual basis of accounting, unless otherwise stated, in accordance with the provisions of the Companies Act, 1956 and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

1.02 Insurance and Customs Duty claims are accounted as and when claims are accepted by the respective authorities.

2.00 Fixed Assets

2.01 Fixed Assets are stated at cost net of MODVAT relief wherever availed, less accumulated depreciation.

2.02 Fixed Assets acquired free of cost or gifted to ITI are stated at Market Value which is credited to the Capital Reserve, at the time of acquisition less accumulated depreciation.

2.03 Any Capital Grant-in-Aid given for a specific project by any agency is initially credited to Grant-in-Aid (Capital) and this amount is adjusted to the Profit and Loss Account over the useful life of the assets.

2.04 Expenditure on development of leasehold land is capitalised as Land Development Expenditure and is written off over a period of 5 years, commencing from the year in which such expenditure is incurred.

2.05 Capital Expenditure on R & D is treated as Fixed Assets.

2.06 In the event of revaluation of entire class of fixed assets, if the revalued amount is greater than the carrying amount of the fixed asset, such difference is taken to the revaluation reserve. If the revalued amount is lower than the carrying amount of the fixed asset and if the class of the asset has already been revalued, difference is set off against the amount available under the revaluation reserve for the same class of asset and excess thereof is charged to the Profit & Loss account.

3.00 Inventories

3.01 Raw materials, components and stores purchased for manufacturing/production activities are valued at lower of cost and net realizable value, after providing for obsolescence, if any. Cost is calculated on weighted average rate as at the end of the year. Where the same items are both purchased and manufactured, manufacturing costs are generally adopted

3.02 Raw materials and production stores with ancillaries and fabricators are valued at lower of cost at the time of such issue and net realizable value, after providing for obsolescence, if any.

3.03 Manufactured items in Stock and Stock-in-Trade are valued at lower of cost excluding interest charges, administration overheads and sales overheads and at the net realisable value, after providing for obsolescence, if any.

3.04 Work-in-process

(i) Work-in-process (production) is valued on the basis of physically verified quantities at lower of cost excluding interest charges, administration overheads and sales overheads or at the net realisable value, after providing for obsolescence, if any.

(ii) Work-in-process (Installation) is valued at lower of cost as recorded in the Work Orders and net realizable value, after providing for obsolescence, if any.

3.05 Precious metals scrap is valued at net realizable value and brought to books at the year end.

4.00 Tools and Gauges

4.01 Expenditure on special purpose tools and fixtures is initially capitalised for amortization on production, based on technical assessment.

4.02 Loose tools are charged to revenue at the time of issue.

5.00 Investments

Current Investments are carried at lower of cost and fair market value. Long term investments are carried at cost Provision for diminution in the value of such investments, other than temporary in nature, is made. Dividend is accounted when the right to receive dividend is established.

6.00 Intangible Assets

6.01 Expenditure on development of new products / technologies, development of software where enduring benefits are expected is recognised as intangible asset .

6.02 Intangible assets are recorded at cost initially.

7.00 Depreciation

7.01 Depreciation is charged on Straight Line Method in accordance with the useful life of the asset as assessed by the Management. However the rates of depreciation adopted in the books are not less than the rates specified in Schedule-XIV of the Companies Act, 1956.

7.02 Depreciation on additions and deletions to fixed assets during a year is provided on pro rata basis as follows:

(a) Depreciation is reckoned in full for the month of addition for the assets commissioned on or before 15th day of a month while no depreciation is reckoned for the month of addition for the assets commissioned after 15th of the month.

(b) In respect of assets sold, discarded, damaged or destroyed on or before 15th day of a month no depreciation is reckoned for the month of deletion while for the assets sold, discarded, damaged or destroyed after 15th of the month depreciation is reckoned in full for the month of deletion.

7.03 Intangible assets are amortized and charged to revenue based on the economic benefits drawn by the company over the useful life not exceeding ten years based on techno commercial assessment.

7.04 In the case of depreciable assets which have been revalued, depreciation is calculated on straight line method on the revalued amount. Difference between depreciation on the asset based on revaluation and that on original cost, is transferred from revaluation reserve to the Statement of Profit and Loss.

8.00 Prior period items

Adjustments arising due to errors or omissions in the financial statements of earlier years are accounted under “Prior Period Adjustments”, if the amount involved is ` 5.00 lakhs or more in each transaction.

9.00 Foreign currency transactions

Foreign currency transactions are initially recognized at the exchange rate as on the transaction date. Monetary items such as cash and bank balances, debtors and creditors balances in foreign currencies are restated in the balance sheet at the closing rate and any gain or loss on foreign exchange is recognized in the statement of profit and loss.

10.00 Revenue Recognition

a) Sales include Excise Duty & Service Tax and excludes Sales Tax.

b) Revenue from sale of goods is recognized based on valid sales contract.

c) Revenue from customer accepted sale of goods/other sale of goods is recognized on the date of dispatch of goods from the company's premises to the customer. In the case of FoR destination contracts, if there is a reasonable expectation of the goods reaching destination within the accounting period, revenue is recognised. Goods ready for dispatch but held in the Company's premises at the customers specific request is also recognised as sale of goods.

d) Where prices are not established, sales are set up provisionally at prices likely to be realized.

e) Export sales are treated as sales on issue of Bill of Lading.

f) Provision is made separately for likely disallowance by customers including Liquidated Damages for contracts executed during the year.

Revenue Recognition on Construction / Turnkey Contracts

g) Revenue is recognised on percentage completion method. Contract revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Expected loss on the contract is fully accounted.

11.00 Warranty Liability

Warranty liability for contractual obligation in respect of equipments sold to customers is accounted on the basis of an annual technical assessment.

12.00 Government Grants

(i) Government grants relating to Revenue are initially credited to Grant-in-Aid(Revenue).

(ii) Where the grants are intended to compensate cost/s incurred in an accounting year, an amount of grant to the extent of related cost are recognized as income in the Statement of Profit and Loss.

(iii) Where the grants are for purpose of giving immediate financial support/ compensation for expenses incurred in a previous accounting period, with no further related cost/s, these are recognized as income in the Statement of Profit & Loss in the year of receipt.

13.00 Employee Benefits

i) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit & Loss of the year in which the related service is rendered.

ii) Post employment benefit viz. gratuity and other long term employee benefits viz. Privilege Leave, Sick Leave and LLTC are recognised as an expense in the Statement of Profit & Loss of the year in which the employee has rendered services. Expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit & Loss.

iii) Expenditure related to voluntary retirement scheme(VRS) is written off in the year of incidence.

14.00 Borrowing Cost

Borrowing cost, that is directly attributable to the acquisition/production or construction of fixed assets or inventories which require a substantial period to get ready for its intended use or to bring them to saleable condition is capitalised as part of the cost of the fixed assets or inventory valuation respectively.

15.00 Impairment of Assets

At the end of each Balance sheet date, the carrying amount of assets are assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found lesser than the carrying amount, then the impairment loss is recognized and assets are written down to the recoverable amount.

16.00 Deferred Tax

Deferred tax is recognized for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets.

17.00 Trade Receivables

Provision for Doubtful Trade Receivables is made on a case to case basis, on detailed review.

As Per our report of even date
For **BADARI, MADHUSUDHAN & SRINIVASAN**
Chartered Accountants

Sd/-	sd/-	sd/-	sd/-
T.V. SUDARSHAN	**K.T. MAYURANATHAN**	**R.K.AGARWAL**	**K.L. DHINGRA**
Partner	Company Secretary	Director – Marketing &	Chairman and Managing Director
M. No. 019108		Addl. Charge of	
FRN: 005389S		Director - Finance	

Place: Bangalore
Date: 29/05/2013

Balance Sheet as at 31st March, 2013

` in Lakhs

Particulars	Note No.	As at 31.03.2013		As at 31.03.2012	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds					
(a) Share Capital	1	58800.00		58800.00	
(b) Reserves and Surplus	2	58441.11		82521.13	
(c) Money received against share warrants	3	0.00	117241.11	0.00	141321.13
(2) Share application money pending allotment	4		0.00		0.00
(3) Non-Current Liabilities					
(a) Long-term borrowings	5	0.00		0.00	
(b) Trade Payables	6	60657.33		105120.80	
(c) Other Long term liabilities	7	36970.90		28421.91	
(d) Long term provisions	8	12652.63	110280.86	12669.05	146211.76
(4) Current Liabilities					
(a) Short-term borrowings	9	60582.17		48299.53	
(b) Trade payables	10	202428.67		187757.00	
(c) Other current liabilities	11	177355.99		170794.31	
(d) Short-term provisions	12	32873.02		28893.77	
Total			473239.85		435744.61
Grand Total			700761.82		723277.50
II. ASSETS					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	13	248250.99		251204.04	
(ii) Intangible assets	14	313.56		470.33	
(iii) Capital work-in-progress	15	132.30		177.75	
(iv) Intangible assets under development	16	0.00		0.00	
(b) Non-current investments	17	40.55		40.55	
(c) Deferred tax assets (net)	18	0.00		0.00	
(d) Long term loans and advances	19	191.80		189.75	
(e) Trade receivables	20	268383.99	517313.19	127041.49	379123.91
(2) Current assets					
(a) Current investments	21	0.00		0.00	
(b) Inventories	22	10490.71		11261.91	
(c) Trade receivables	23	138348.35		299783.45	
(d) Cash and cash equivalents	24	1687.43		2125.86	
(e) Short-term loans and advances	25	32874.21		30858.26	
(f) Other current assets	26	47.93		124.11	
Total			183448.63		344153.59
Grand Total			700761.82		723277.50

The accounting policies & accompanying notes form part of the financial statements

Per our report of even date
For BADARI, MADHUSUDHAN & SRINIVASAN
Chartered Accountants

Sd/-	sd/-	sd/-	sd/-
T.V. SUDARSHAN	K.T. MAYURANATHAN	R.K.AGARWAL	K.L. DHINGRA
Partner	Company Secretary	Director – Marketing &	Chairman and Managing Director
M. No. 019108		Addl. Charge of	
FRN: 005389S		Director - Finance	

Place: Bangalore
Date: 29/05/2013

Profit and Loss Statement for the year ended 31st March, 2013

` in Lakhs

Particulars	Note No.	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Income					
I. Revenue from operations	27	84326.01		91596.16	
II. Other Income	28	3341.76		3302.54	
III. Total Revenue (I +II)			87667.77		94898.70
IV. Expenses:					
Cost of materials consumed	29	15379.27		15468.34	
Purchase of Stock-in-Trade	30	8109.43		16040.96	
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	31	1088.45		(284.18)	
Installation & Maintenance Charges		40926.04		42228.64	
Employee benefit expense	32	39275.39		40144.91	
Financial costs	33	8925.38		8524.77	
Depreciation and amortization expense	34	1832.43		2130.31	
Other expenses	35	8112.52		7513.90	
Total Expenses*		123648.91		131767.65	
Less: Transfer to Capital Account	36	0.00	123648.91	1.88	131765.77
IV (A) Prior period adjustments(Net)	37		4775.15		(112.84)
V. Profit before exceptional and extraordinary items and tax(III-IV-IV(A))			(31205.99)		(36979.91)
VI. Exceptional Items	38		0.00		0.00
VII. Profit before extraordinary items and tax (V - VI)			(31205.99)		(36979.91)
VIII. Extraordinary Items	39		13000.00		0.00
IX. Profit before tax (VII + VIII)			(18205.99)		(36979.91)
X. Tax expense:					
(1) Current tax			0.00		0.00
(2) Deferred tax			0.00		0.00
XI. Profit / (Loss) from the period from continuing operations (IX-X)			(18205.99)		(36979.91)
XII. Profit / (Loss) from discontinuing operations			0.00		0.00
XIII. Tax expense of discounting operations			0.00		0.00
XIV. Profit/(Loss) from Discontinuing operations (XII - XIII)			0.00		0.00
XV. Profit/(Loss) for the period (XI + XIV)			(18205.99)		(36979.91)
XVI. Earning per equity share: (in `)					
(1) Basic			(7.25)		(13.76)
(2) Diluted			(7.25)		(13.76)

*Includes expenditure on R&D ` 1770.05 lacs (previous year ` 2084.68 lacs) under various heads.

The accounting policies & accompanying notes form part of the financial statements

Per our report of even date
For BADARI, MADHUSUDHAN & SRINIVASAN
Chartered Accountants

Sd/-	sd/-	sd/-	sd/-
T.V. SUDARSHAN	K.T. MAYURANATHAN	R.K.AGARWAL	K.L. DHINGRA
Partner	Company Secretary	Director – Marketing & Addl. Charge of Director - Finance	Chairman and Managing Director
M. No. 019108			
FRN: 005389S			

Place: Bangalore
Date: 29/05/2013

Notes to the Financial Statements

` in Lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
Note No.1		
a) SHARE CAPITAL		
I) Equity		
a) Authorised		
30,00,00,000 equity shares of `10 each	30000.00	30000.00
b)Issued		
28,80,00,000 equity shares of `10 each	28800.00	28800.00
c) Subscribed and Fully Paid-up *		
28,80,00,000 equity shares of `10 each	28800.00	28800.00
d) Subscribed & not fully paid up	-	-
e) Par value per share	-	-
f) Calles un paid	-	-
g) Forfeited shares	-	-
h) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period	As at 31.03.2013	As at 31.03.2012
Number of shares outstanding O.B	288000000	288000000
Add issues during the year	-	-
Less: Buy back/forfiture during the year	-	-
Number of shares outstanding C.B	288000000	288000000

i) The rights and preferences and restrictions attaching to the above class of shares

- Each holder of Equity share is entitled to one vote per share.

- In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferencial amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

j) List of share holders holding more than 5% shares

Name	No.of shares held	No.of shares held
1. President of India	267465690	267465690

* Government of India has dis invested 7% of the Equity shares to Financial Institutions,Banks,Mutual Funds and Employees.

k)During last 5 years:		
i) Aggregate number of shares allotted without being received in cash	Nil	Nil
ii) Aggregate number of shares allotted as fully paid up by way of bonus shares	Nil	Nil
iii) Aggregate number and class of shares bought back	Nil	Nil
II) Preference Shares		
Authorised		
40000000 Preference Shares of `100 each		
-8.75% Cumulative Redeemable Preference Shares	40000.00	40000.00
a) Issued		
10000000, 8.75% Cumulative Redeemable Preference Shares of `100 each Redeemable at par in 5 equal installment from March 2005	10000.00	10000.00
b) Subscribed and Fully Paid-up		
10000000, 8.75% Cumulative Redeemable Preference Shares of `100 each Redeemable at par in 5 equal installment from March 2005	10000.00	10000.00
c) Subscribed & not fully paid up		
d) Par value per share (`100)	-	-
e) Calls un paid		
f) Forfeited shares		
g) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period	As at 31.03.2013	As at 31.03.2012
Number of shares outstanding O.B	10000000	10000000
Add issues during the year	-	-
Less: Buy back/forfeiture during the year	-	-
Number of shares outstanding C.B	10000000	10000000

h) The rights and preferences and restrictions attaching to the above class of shares

- Each holder of preference shares is entitled to one vote per share only on resolutions placed before the company which directly affect the rights attached to preference shares.

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
- In the event of liqudation of the company, the holders of preference shares will be entitled to receive assets of the company, before distribution to equity share holders. The distribution will be in proportion to the number of shares held by the shareholders.		
i) List of share holders holding more than 5% shares		
Name	No.of shares held	No.of shares held
Mahanagar Telephone Nigam Ltd.	10000000	10000000
j) During last 5 years:		
i) Aggregate number of shares allotted without being received in cash	-	-
ii) Aggregate number of shares allotted as fully paid up by way of bonus shares	-	-
iii) Aggregate number and class of shares brought back	-	-
Dividend in respect of following class of Cumulative Redeemable Preference Shares are in arrears as detailed below:		
	As at 31.03.2013	As at 31.03.2012
a) On 8.75% Cumulative Preference Shares from 2002-03	9625.00	8750.00
(The figures indicated are excluding Dividend Distribution Tax)		
Redemption installments in respect of the following Cumiulative Redeemable Preference shares issued by the company have not been paid on due dates on account of fund constraints		
Redemption installments due from 31st March 2005 to 31st March 2009 in respect of 8.75 % Preference Shares of `10000 Lakhs	10000.00	10000.00
-7% Cumulative Redeemable Preference Shares		
a) Issued		
20000000, 7.00% Cumulative Redeemable Preference shares of `100 each, redeemable at par in 5 equal installments from March 2006, with call option to BSNL after expiry of one year from the date of investment 31.03.2003	20000.00	20000.00
b) Subscribed and Fully Paid-up		
20000000, 7.00% Cumulative Redeemable Preference shares of `100 each, redeemable at par in 5 equal installments from March 2006, with call option to BSNL after expiry of one year from the date of investment 31.03.2003	20000.00	20000.00
c) Subscribed & not fully paid up		
d) Par value per share(`100)	-	-
e) Calles un paid	-	-
f) Forfeited shares	-	-
g) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period	As at 31.03.2013	As at 31.03.2012
Number of shares outstanding O.B	20000000	20000000
Add issues during the year	-	-
Less: Buy back/forfeiture during the year	-	-
Number of shares outstanding C.B	20000000	20000000
h) The rights and preferences and restrictions attaching to the above class of shares		

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
- Each holder of the preference shares is entitled to one vote per share only on resolutions placed before the company which directly affect the rights attached to preference shares.		
- In the event of liquidation of the company, the holders of preference shares will be entitled to receive assets of the company, before distribution to equity share holders. The distribution will be in proportion to the number of shares held by the shareholders.		
i)List of share holders holding more than 5% shares	As at 31.03.2013	As at 31.03.2012
Name	No.of shares held	No.of shares held
Bharat Sanchar Nigam Ltd.	20000000	20000000
j)During last 5 years:		
k)Aggregate number of shares allotted with out being received in cash	-	-
ii)Aggregate number of shares allotted as fully paid up by way of bonus shares	nil	nil
iii)Aggregate number and class of shares brought back	nil	nil
Dividend in respect of following class of Cumulative Redeemable Preference Shares are in arrears:	nil	nil
	As at 31.03.2013	As at 31.03.2012
On 7.00% Cumulative Preference Shares from 2003-04	14000.00	12600.00
(The figures indicated are excluding Dividend Distribution Tax)		
Redemption installments in respect of the following Cumulative Redeemable Preference shares issued by the company have not been paid on due dates on account of fund constraints	As at 31.03.2013	As at 31.03.2012
Redemption installments due from 31 st March 2006 to 31st March 2010 in respect of 7% Preference Shares of ` 20000 Lakhs	20000.00	20000.00

Cumulative Redeemable Preference shares amounting to ` 30000 Lakhs overdue for redemption are continued to be shown under Share Capital since the redemption is part of the BIFR package envisaged for the Company.

Note No. 2

RESERVES AND SURPLUS

a)Capital Reserves

		As at 31.03.2013		As at 31.03.2012
i)Free Land Gifted				
O.B As per last B/S	25.30		25.30	
Additions	0.00		0.00	
Total	25.30		25.30	
Deductions	0.00		0.00	
Closing balance		25.30		25.30
ii)Free Equipment gifted				
Opening balance as per last B/S	624.91		718.65	
Less-Transfer to P&L	93.74		93.74	
Closing Balance		531.17		624.91

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
iii) Capital Grant in aid				
As per last Balance Sheet	268900.00		268900.00	
Transfer from Grant in aid (capital)	1000.00		0.00	
Closing Balance		269900.00		268900.00
b) Capital Redemption Reserve				
O.B as per last B/S	0.00		0.00	
Additions	0.00		0.00	
Total	0.00		0.00	
Deductions	0.00		0.00	
Closing balance		0.00		0.00
c) Securities premium reserve				
O.B as per last B/S	29.61		29.61	
Additions	0.00		0.00	
Total	29.61		29.61	
Deductions	0.00		0.00	
Closing balance		29.61		29.61
d) Debenture redemption reserve				
Opening balance as per last B/S	210.00		210.00	
Less-Transfer to General Reserve	0.00		0.00	
Closing Balance		210.00		210.00
e) Revaluation reserve				
i) Revaluation reserves- Land				
Opening balance as per last B/S	227611.21		227611.21	
Less-Reversal on sale of land	0.00		0.00	
Closing Balance		227611.21		227611.21
ii) Revaluation reserves - Building				
Opening balance as per last B/S	12995.12		14779.26	
Less-Transfer to P&L	1588.06		1784.14	
Closing Balance		11407.06		12995.12
f) Other Reserves				
i) General reserve:				
Opening balance as per last B/S	0.00		0.00	
Add: Transfer from Bonds Redemption Reserve	0.00		0.00	
Less-Transfer to P&L	0.00		0.00	
Closing Balance	0.00		0.00	
ii) Profit on Sale of Fixed Assets				
Opening balance as per last B/S	166.79		166.79	
Less-Transfer to P&L	0.00		0.00	
Closing Balance		166.79		166.79

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
iii) Sale of Technical know-how				
As per last Balance Sheet	3.50		3.50	
Less-Transfer to P&L	0.00		0.00	
Closing Balance		3.50		3.50
iv) Industrial Housing subsidy				
As per last Balance Sheet	6.78		6.78	
Less-Transfer to P&L	0.00		0.00	
Closing Balance		6.78		6.78
v) Investment assurance reserve				
As per last Balance Sheet	0.00		0.00	
LESS: Transfer to General reserve	0.00		0.00	
Closing Balance		0.00		0.00
g)Surplus				
As per last Balance sheet	(434498.80)		(397518.88)	
Add:Profit/(Loss) for the year	(18205.99)		(36979.91)	
Total	(452704.79)		(434498.79)	
Less- Appropriations	0.00		0.00	
Less-Transfer from P&L A/C-(Loss for the year)	0.00		0.00	
Closing Balance		(452704.79)		(434498.79)
h) Grant-in-Aid				
i)'Grant-in-aid (Capital) :				
As per last Balance Sheet	1723.26		2185.15	
Add:Receipts during the year	1000.00		10.49	
Total	2723.26		2195.64	
Less:Transfer to revenue GIA/Capital reserves	1000.00		0.00	
Less:Transfer to Profit & Loss Account	468.78		472.38	
Closing Balance		1254.48		1723.26
ii) Grant-in-aid (Revenue)				
As per last Balance Sheet	4723.44		4743.29	
Add : Receipts during the year	13000.00		0.00	
Total	17723.44		4743.29	
Less:Transfer to Profit & Loss Account	17723.44		19.85	
Closing Balance		0.00		4723.44
Total Grant-in-Aid		1254.48		6446.70
TOTAL RESERVES AND SURPLUS		58441.11		82521.13

Note No.3

Money received against share warrants		0.00		0.00

Note No.4

Share application money pending allotment		0.00		0.00

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Note No.5				
NON-CURRENT LIABILITIES				
LONG TERM BORROWINGS				
i) SECURED LOANS				
Floating Rate Bonds	0.00		0.00	
Term Loans from Banks	0.00		0.00	
Others	0.00		0.00	
TOTAL		0.00		0.00
ii) UNSECURED LOANS				
Loan from Government of India	0.00		0.00	
Interest accrued and due on the above	0.00		0.00	
Floating Rate Bonds	0.00		0.00	
Term Loans from Banks	0.00		0.00	
Deferred payment liabilities	0.00		0.00	
Deposits	0.00		0.00	
Loans and advances from related parties	0.00		0.00	
Long term maturities of finance lease obligation	0.00		0.00	
Other loan - Ku Band	0.00		0.00	
TOTAL		0.00		0.00
G.TOTAL		0.00		0.00
Note No.6				
Trade Payables-Non current				
For goods supplied				
- Micro small and medium enterprises	0.00		0.00	
- Others	59825.85		104189.78	
TOTAL	59825.85		104189.78	
For Expenses and Services	142.68		221.99	
For Other Liabilities	688.80		709.03	
TOTAL		60657.33		105120.80
Note No.7				
Other Long Term Liabilities				
Security deposit received	514.36		538.81	
Others	36456.54		27883.10	
G.TOTAL		36970.90		28421.91

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Note No.8				
For privilege Leave				
As per Last Balance Sheet	12309.05		12689.70	
Less : Transfer to Corporate	0.00		0.00	
Add: Provision for the year	285.74		(64.29)	
Less: Payments	251.05		316.37	
TOTAL		12343.74		12309.04
For sick Leave				
As per Last Balance Sheet	360.01		382.45	
Add: Provision for the year	(51.12)		(22.44)	
Less: Payments	0.00		0.00	
TOTAL		308.89		360.01
ii) Others		0.00		0.00
G. TOTAL		12652.63		12669.05
Note No.9				
CURRENT LIABILITIES				
i) Short term borrowings				
Loans repayable on demand				
-secured loans				
Cash credit from State Bank of India and other members of the consortium of Banks against hypothecation of stocks,stores & rawmaterials, debts& advances and second charge on all Fixed Assets both movable and immovable .(Limit ` 84500 lakhs, P.Y. ` 84500 lakhs)		60582.17		48299.53
-Unsecured loans				
Loans and advances from related parties	0.00		0.00	
Deposits	0.00		0.00	
Other loans and advances	0.00		0.00	
TOTAL		60582.17		48299.53
Note No.10				
Trade Payables				
For goods supplied				
- Micro small and medium enterprises	2.68		4.87	
- Others	112632.05		111478.74	
TOTAL	112634.73		111483.61	
For Expenses and Services	66340.14		55465.27	
For Other Liabilities(Including Excise duty on Stock-in-Trade ` 0.00 Lakhs P.Y. ` 0.00 Lakhs)	23453.80		20808.12	
For goods received and in transit adv as per contra in Note No. 22	0.00		0.00	
TOTAL		202428.67		187757.00
Deposits, fallen due and not claimed for refunds, is shown as current liabilities as at 31/03/2013		28.04		23.79

A list of micro, small and medium enterprises to whom the Company owe any sum together with interest outstanding to the extent identified.

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
AS PER ENCLOSURE		
Disclosure of dues/payments to micro and small enterprises to the extent such enterprises are identified by the company.		
(a) Principal amount remain unpaid on 31.03.2013.	0.00	4.87
(b) Interest due thereon remaining unpaid on 31.03.2013.	0.00	0.00
(c) The amount of interest paid and principal paid beyond the appointed day during the financial year 2012-13	0.00	0.00
(d) Amount of interest due and payable for delay in payments which have been paid beyond the appointed day during the F.Y.2012-13) but without adding interest under the MSMED Act, 2007.	0.00	0.00
(e) Amount of interest accrued and remaining unpaid on 31.03.2013.	0.00	0.00
(f) Amount of further Interest remaining due and payable even in succeding years (until such interest dues are paid to small enterprises).	0.00	0.00

Note No.11

Other current liabilities

current maturities of long term debts

“I” series Bonds of ` 1000000/- each:

-6.40% Issues in March 2004 redeemable at par in March 2009(with put/call option after 3 years from the date of allotment)*	210.00	210.00
Period of continuing default in the repayment of loans: 36 Months Interest Accrued and due on Bonds	18.00	18.00
Period of continuing default in the repayment of interest: 36 Months		

Secured by first charge on all fixed assets of the company both movable and immovable present and future and ranking pari passu in favour of bond holders. Charges are created in favour of Canara Bank as agents and trustees of Bond holders.

*Citizen Credit Co-operative Bank Ltd(CCCB) which invested ` 210 Lakhs in ‘I’ Series Bonds of ITI Ltd did not agree for one time settlement (OTS) offered by the Company during 2009 while all the remaining investors in ITI Bonds agreed for OTS. The CCCB filed a suit in Bangalore City Civil Court against Govt. of India as the Bonds were backed by Govt. of India guarantee. Recently CCCB has approached ITI for OTS and accordingly bonds amount would be settled.

Current maturities of finance lease obligations	0.00	0.00
Interest Accrued but not due on Borrowings	0.00	0.00
Interest Accrued and due on Borrowings	0.00	0.00
Income received in advance	0.00	0.00
Unpaid matured deposits and interest accrued thereon	0.00	0.00
Unpaid matured debentures and interest accrued thereon	0.00	0.00
For Expenses and Services	3101.59	2521.79
For Other Liabilities (including Excise Duty on Stock in Trade ` 190.54 Lakhs Previous year ` 46.72 lakhs)	1863.07	1480.28
Other Payables	2013.12	1951.38

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Duties & Taxes	157.73		288.65	
Advances from Customers	165801.80		160992.81	
Unclaimed Dividend	0.00		0.00	
Interest accrued but not due on Loans	0.00		0.00	
Apprentices Security Deposit	8.01		7.87	
Deposits from Contractors	4182.67		3323.53	
TOTAL		177355.99		170794.31

Note No.12

SHORT TERM PROVISIONS

Particulars	As at 31.03.2013		As at 31.03.2012	
For Taxation				
As per last Balance Sheet	53.75		53.75	
Add: Provisions during the year	0.00		0.00	
Less: Adjustments of provisions relating to earlier years	0.00		0.00	
Total		53.75		53.75
For gratuity				
As per Last Balance Sheet	24512.00		20612.42	
Add: Provision for the year	2941.47		3974.02	
Less: Transfer to gratuity trust	0.00		0.00	
Add: Transfer from gratuity trust	5401.98		4800.36	
Add: Transfer from Corporate	0.00		0.00	
Less: Payments	5020.86		4874.80	
Total		27834.59		24512.00
For privilege Leave				
As per Last Balance Sheet	3844.46		3506.64	
Less : Transfer to Corporate	0.00		0.00	
Add: Provision for the year	2908.08		2321.48	
Less: Payments	2129.06		1983.66	
Total		4623.48		3844.46
For sick Leave				
As per Last Balance Sheet	46.45		57.86	
Add: Provision for the year	54.17		(11.41)	
Less: Payments	0.08		0.00	
Total		100.54		46.45
For L L T C provision				
As per Last Balance Sheet	437.12		693.12	
Add: Provision for the year	(32.74)		(10.89)	
Less: Payments	143.72		245.12	
TOTAL		260.66		437.11
G.TOTAL		32873.02		28893.77

Notes to the Financial Statements (Contd...)

Note No.13

Fixed Assets

Tangible assets

PARTICULARS	GROSS BLOCK AT COST AS AT 31.03.2012	ADDITIONS DURING THE YEAR Acquisitions through business combination	ADDITIONS DURING THE YEAR Others	SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST-MENTS	AS AT 31.03.2013	
TANGIBLE ASSETS	1	2	3	4=1+2+3	5	6	7=4-5-6	
LAND								
-FREE HOLD	228607.31	0.00	0.00	228607.31	5.81	0.00	228601.50	*
-LEASE HOLD	142.82	0.00	0.00	142.82	0.00	0.00	142.82	****
ASSETS GIVEN ON LEASE	7.53	0.00	0.00	7.53	0.00	0.00	7.53	
LAND DEVELOPMENT	21.37	0.00	0.00	21.37	0.00	0.00	21.37	
BUILDING	52980.24	0.00	4.95	52985.19	0.00	0.00	52985.19	**
PLANT& MACHINERY	79098.75	0.00	382.39	79481.14	1.02	0.00	79480.12	***
OFFICE M/C & EQPT	2472.65	0.00	3.61	2476.26	0.00	0.00	2476.26	
FURNITURE FIXTURE& FITTINGS	1984.39	0.00	4.30	1988.69	0.00	0.00	1988.69	
VEHICLES	907.91	0.00	10.95	918.86	0.00	0.00	918.86	
TOTAL	366222.97	0.00	406.20	366629.17	6.83	0.00	366622.34	
PREVIOUS YEAR	365475.46	0.00	864.34	366339.80	113.76	3.06	366222.98	

1. Company has not adopted the enhanced estimated useful life of the asset, suggested by registered valuer as this would have resulted in not complying with the requirement of charging minimum depreciation contemplated by schedule XIV of Companies Act, 1956. Consequently company charged off `1877.88 Lakhs (Previous year ` 2509.04 Lakhs) as depreciation on revalued asset for the year. However this has no effect on the losses of the year, as this amount is transferred from the revaluation reserve.

2. There is a charge of ` 7 lakhs on 400 D type and 624 E type quarters in favour of Govt. of Karnataka towards subsidy received in terms of Subsidised Industrial housing Scheme.

3. Factory building is on the leased land,measuring 36 Kanals and 13 Marlas for which extension for lease is under process with J&K Government.

4. With reference to Accounting Policy No.6 depreciation has been charged on Fixed assets over their assessed useful life as under.

Fixed Assets	(Years)
A.(a)Building (other than factory buildings)	50
(b) Factory building	28
(c) Purely temporary erection	Year of construction
(d) Building with dwelling units each with plinth area not exceeding 80 sqm.	13
B. Furniture & Fittings	10
C. Plant & Machinery	
(a) General Rate (on double shift basis)	10
(b) Special Rate : - Data Processing Machines including Computers	6
D. Roads and compound Walls	10
E. Office Machinery and Equipment	7
F. Vehicles	7
G. Assets costing less than ` 5,000/- are depreciated @ 100%	

Notes to the Financial Statements (Contd...)

` in Lakhs

DEPRECIATION									
UPTO 31.03.12	FOR THE YEAR		SUB TOTAL	ASSETS“ SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST-MENTS	Impairment loss/ Reversal of Impairment Loss	UPTO 31.03.2013	Net Carrying Value as at 31.03.2013	Net Carrying Value as at 31.03.2012
	Acquisitions through business combination	Others							
8	9	10	11=8+9+10	12	13	14	15=11-12-13-14	16=7-15	17
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	228601.50	228607.31
23.28	0.00	0.27	23.55	0.00	0.00	0.00	23.55	119.27	119.54
7.53	0.00	0.00	7.53	0.00	0.00	0.00	7.53	0.00	0.00
21.37	0.00	0.00	21.37	0.00	0.00	0.00	21.37	0.00	0.00
37210.61	0.00	1858.00	39068.61	0.00	0.00	0.00	39068.61	13916.58	15769.63
72596.80	0.00	1445.53	74042.33	1.02	0.00	0.00	74041.31	5438.81	6501.95
2402.50	0.00	19.97	2422.47	0.00	0.00	0.00	2422.47	53.79	70.15
1907.79	0.00	16.17	1923.96	0.00	0.00	0.00	1923.96	64.73	76.60
849.09	0.00	13.46	862.55	0.00	0.00	0.00	862.55	56.31	58.82
115018.97	0.00	3353.40	118372.37	1.02	0.00	0.00	118371.35	248250.99	251204.00
111334.78	0.00	3797.92	115132.70	113.76	0.00	0.00	115018.94	251204.04	254140.68

However, in respect of assets having original cost of `50,000/- and above, a residual balance of ` 5/- has been retained in the books.

*i) Includes ` 25 Lakhs value of land (Before revaluation) gifted by UP Govt. credited to Capital Reserve.

ii) (a) Land measuring 4653.75 sq.metres has been leased to Department of Telecommunications for a period of 99 years commencing from 3.10.1983.

(b) Formal Conveyance/lease deeds in respect of Land (excepting part of lands at Bangalore & Mankapur) are yet to be executed by the respective State Governments.

(c) Land measuring 1256.86 Sq. metres has been leased to Dept. of Telecommunications for a period of 99 years commencing from 10.07.1991.

(d) Registered valuers have revalued Land of the company on 31.3.2006. Land with original cost of `1000 Lakhs have been revalued at ` 228637 Lakhs, resulting in an increase in value by ` 227637 Lakhs.

iii) 1.83 acres of land is leased to Southern Railways and 0.286 acres of land is leased to ESI corporation.

** Registered valuers have revalued Buildings of the company on 31.3.2006. Buildings with original cost of ` 15277 Lakhs and written down value of ` 4631 Lakhs have been revalued at ` 42388 Lakhs, resulting in an increase in value by ` 37757 Lakhs.

***i) Includes ` 85 Lakhs of plant & machinery given free of cost by UNIDO.

ii) Includes ` 60 Lakhs of plant & machinery cost of which is borne by Ministry of Information Technology.

iii) Includes cost of fixed assets worth ` 5000 Lakhs procured out of Grant received from Government of India during 2004-05.

iv) includes ` 937 Lakhs of plant, machinery and Equipments received free of cost by Rae Bareli unit.

**** Includes ` 26.94 Lakhs payment made to J&K Govt for which lease deed proceedings are in process.

Notes to the Financial Statements (Contd...)

Note No.14

Intangible assets

PARTICULARS	GROSS BLOCK AT COST						
	AS AT 31.03.2012	ADDITIONS DURING THE YEAR		SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST-MENTS	AS AT 31.03.2013
		Acquisitions through business combination	Others				
INTANGIBLE ASSETS	1	2	3	4=1+2+3	5	6	7=4-5-6
INTERNALLY GENERATED ASSETS							
PROJECT DEVELOPMENT EXS	1347.26	0.00	0.00	1347.26	0.00	0.00	1347.26
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXTERNALLY GENERATED ASSETS							
TECHNICAL KNOWHOW	1567.77	0.00	0.00	1567.77	0.00	0.00	1567.77
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	2915.03	0.00	0.00	2915.03	0.00	0.00	2915.03
PREVIOUS YEAR	2915.03	0.00	0.00	2915.03	0.00	0.00	2915.03

Notes to the Financial Statements (Contd...)

` in Lakhs

DEPRECIATION								NET BLOCK	
UPTO 31.03.12	FOR THE YEAR Acquisitions through business combination	FOR THE YEAR others	SUB TOTAL	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST-MENTS	Impairment loss/ Reversal of Impairment Loss	UPTO 31.03.2013	Net Carrying Value as at 31.03.2013	Net Carrying Value as at 31.03.2012
8	9	10	11=8+9+10	12	13	14	15=11-12-13-14	16=7-15	17
1347.26	0.00	0.00	1347.26	0.00	0.00	0.00	1347.26	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1097.44	0.00	156.77	1254.21	0.00	0.00	0.00	1254.21	313.56	470.33
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2444.70	0.00	156.77	2601.47	0.00	0.00	0.00	2601.47	313.56	470.33
2287.93	0.00	156.77	2444.70	0.00	0.00	0.00	2444.70	470.33	627.10

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Note No.15				
CAPITAL WORK-IN-PROGRESS				
Capital Work-in-Progress at Cost	152.16		119.39	
Less: Provision	113.95		113.95	
Total		38.21		5.44
Materials with Contractors	28.93		28.93	
Less : Provision	28.93		28.93	
Total		0.00		0.00
Machinery at Cost				
In-Transit	6.58		6.58	
Awaiting Acceptance / Installation	93.60		171.82	
Total	100.18		178.40	
Less:Provision	6.09		6.09	
TOTAL		94.09		172.31
G.TOTAL		132.30		177.75

CWIP includes expenditure incurred of ` 113.51 lakhs of a discontinued project relating to 2005-06 for which provision has been made.

Note No.16

Intangible assets under development		0.00		0.00

Note No.17

NON- CURRENT INVESTMENTS				
Investment in Equity instruments				
Fully Paid at Cost (unquoted)	40.55		40.55	
16,21,800 Equity Shares of ` 10/- each fully paid up in India Satcom Limited(joint venture with M/S Chris Tech System Pvt. Ltd) including 1216350 Bonus Shares(extent of investment 49%)	0.00		0.00	
TOTAL		40.55		40.55

Note No.18

Deferred tax assets(net)	0.00		0.00	
TOTAL		0.00		0.00

Note No.19

Long term loans and advances				
Secured and considered good:				
Capital Advances	0.77		0.77	
Security Deposits/ Margin money	0.00		0.00	
Loans and advances	0.00		0.00	
Considered Doubtful:				
Capital Advances	28.40		28.40	

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Security Deposits	0.00		0.00	
Loans and advances	0.00		0.00	
Total	29.17		29.17	
less: provision	28.40		28.40	
TOTAL SECURED LOANS & ADVANCES		0.77		0.77
Un Secured and considered good:				
Capital Advances	1.62		1.62	
Security Deposits	0.59		0.37	
Loans and advances	16.03		14.20	
Considered Doubtful:	0.00			
Capital Advances	0.00		0.00	
Security Deposits	173.89		173.89	
Loans and advances	0.00		0.00	
Total	192.13		190.08	
less: provision	1.10		1.10	
Loans and advances due from related parties:				
ISL	0.00		0.00	
TOTAL UNSECURED LOANS& ADVANCES		191.03		188.98
TOTAL LOANS AND ADVANCES		191.80		189.75

Note No.20

Long Term trade Receivables				
Secured				
- Long term Trade Receivables(Outstanding for a period exceeding 6 months from the date they become due for payment) Considered Good	0.00		0.00	
Considered Doubtful	0.00		0.00	
- LTTR Others	0.00		0.00	
Total	0.00		0.00	
less: Provision	0.00		0.00	
		0.00		0.00
Un Secured				
- Long term Trade Receivables(Outstanding for a period exceeding 6 months from the date they become due for payment) Considered Good	268383.99		127041.49	
Considered Doubtful	4332.92		3172.31	
- LTTR Others	0.00		0.00	
Total	272716.91		130213.80	
less: Provision	4332.92		3172.31	
		268383.99		127041.49
G.Total		268383.99		127041.49

Debtors and Security Deposit of NSU includes ` 83.64 Lakhs & ` 4 Lakhs(p.y ` 83.64 Lakhs and ` 4 Lakhs) respectively due from Central Railway. Arbitration proceedings are under progress for the settlement.

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Note No.21				
CURRENT ASSETS				
Current investments		0.00		0.00
Note No.22				
INVENTORIES				
(Valued as per Accounting Policy No.3.00)				
Stocks & Stores as taken and certified by Management				
a) Raw material and Production stores	6097.21		6004.73	
Less: Provision for Obsolescence	1587.37		1587.37	
		4509.84		4417.36
b) Material issued against Fabrication Contracts	100.44		100.55	
Less: Provision	95.47		95.47	
		4.97		5.08
Non-Production Stores	866.17		907.77	
Less: Provision for Obsolescence	251.55		251.55	
		614.62		656.22
d) Work-in-Process Production	2685.01		3239.16	
Less: Provision	273.76		273.76	
		2411.25		2965.40
e) Work-in-Process Installation	0.00		162.36	
Less: Provision	0.00		0.00	
		0.00		162.36
f) Manufactured Components	1224.22		1469.52	
Less: Provision	33.86		33.86	
		1190.36		1435.66
g) Finished Goods				
Stock-in-Trade	1391.35		1671.67	
(includes ` 137.89 Lakhs, items despatched to customers awaiting billing(Previous year ` 66.21 Lakhs)				
Excise Duty thereon	190.54		46.72	
	1581.89		1718.39	
Less: Provision	1044.61		1044.61	
		537.28		673.78
h) Stock Reconciliation Account	6.73		6.69	
Less: Provision	6.73		6.69	
		0.00		0.00
i) Goods Pending Inspection / Acceptance		16.61		13.72
j) Material-in-Transit Advances				
Considered Good	1201.99		871.94	
Considered Doubtful	82.23		82.23	
	1284.22		954.17	
Less: Provision	82.23		82.23	
		1201.99		871.94

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
k) Material received and In-Transit Advances payable as per contra in Schedule 6.1		3.79		60.39
l) Tools and Gauges		0.00		0.00
TOTAL		10490.71		11261.91
DETAILS OF INVENTORY				
a) Raw material and Production stores		9876.09		10605.69
b) Others		614.62		656.22
Note No.23				
Trade Receivables(Current)				
Secured				
Outstanding for a period exceeding 6 months from the date they become due for payment				
Considered Good	0.00		0.00	
Considered Doubtful	0.00		0.00	
	0.00		0.00	
Other Debts Considered Good	0.00		0.00	
	0.00		0.00	
Less:Provision	0.00		0.00	
		0.00		0.00
Un Secured				
Outstanding for a period exceeding 6 months from the date they become due for payment				
Considered Good	92154.41		277212.54	
Considered Doubtful	2558.16		3491.52	
	94712.57		280704.06	
Other Debts Considered Good	46193.94		22570.91	
	140906.51		303274.97	
Less:Provision	2558.16		3491.52	
		138348.35		299783.45
TOTAL TRADE RECEIVABLES		138348.35		299783.45
Note No. 24				
Cash and cash equivalents				
a) Cash-on-Transit	0.00		0.00	
b) Cash on hand	290.52		32.82	
c) Cheques & Stamps on Hand	0.53		2.21	
d) Balance with Banks :				
- On Current Account	1295.91		1952.85	
- On Current Account (Apprentices)	5.39		5.18	

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Unpaid Dividend	0.00		0.00	
Security deposits/others	0.00		0.00	
LC Margin money	0.00		0.00	
On Savings Account(Apprentices Security Deposits)	5.93		5.80	
On short term deposit (margin money)	89.15		122.00	
On current Account(Margin money)	0.00		5.00	
On Fixed Deposit Account- More than 12 months maturity	0.00		0.00	
On Fixed Deposit Account- Less than 12 months maturity	0.00		0.00	
TOTAL		1687.43		2125.86

Note No. 25

Short-term loans and advances				
Secured Advances recoverable in cash or in kind or for value to be received				
Vehicles	0.03		0.03	
House building	0.23		0.53	
Deposits with Customs Department	8.69		12.42	
Deposits with Excise Authorities	3052.40		3460.99	
Other Deposits (includes ` 0.00 lakhs of National saving Certificates.Previous year ` 0.00 lakhs)	2378.49		1847.20	
Less: Provision	250.65		250.65	
TOTAL		5189.19		5070.52
Un secured Advances recoverable in cash or in kind or for value to be received				
Considered Good	13211.93		10739.24	
Considered Doubtful	792.72		1293.17	
	14004.65		12032.41	
Less: Provision	1612.48		1293.17	
Claims and Expenses Recoverable - Inland		12392.17		10739.24
Considered Good	14008.41		13854.93	
Considered Doubtful	678.67		282.14	
	14687.08		14137.07	
Less: Provision	678.67		282.14	
		14008.41		13854.93

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
Claims and expenses recoverable - Foreign				
Considered good	87.79		92.57	
Considered doubtful	1181.42		1181.42	
	1269.21		1273.99	
Less: Provision	1181.42		1181.42	
		87.79		92.57
Advance for Civil Works/ Capital Goods				
Considered good	5.37		5.37	
Considered doubtful	0.00		0.00	
	5.37		5.37	
Less: Provision	0.00		0.00	
		5.37		5.37
Payment of Advance tax (Net of refunds)		164.49		76.66
Vechicle advance		0.00		0.00
Other Deposits	967.63		965.70	
Less: Provision	5.35		5.35	
		962.28		960.35
Interest accrued but not due on short term deposits		64.51		58.62
TOTAL		27685.02		25787.74
TOTAL SHORT TERM LOANS AND ADVANCES		32874.21		30858.26

Claims and expenses recoverable - inland- includes ` 1690.20Lakhs(previous year ` 1672.17 Lakhs) recoverable from M/s HCL Infosystem Ltd . as compensation on account of excess amount spent by ITI Ltd. MANKAPUR. The above is on the basis of agreement entered into between ITI, HCL and Alcatel.

Note No. 26

Other current assets				
Taxes & Duties in put	34.94		113.97	
WCT Recoverable	12.99		10.14	
Total		47.93		124.11

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Note No. 27				
I. REVENUE FROM OPERATIONS				
i) Sale of Products (Incl. Excise duty and net of Sales tax)	22131.88		31857.62	
- Sale of Finished Goods ` 5424.39 Lacs( P.Y. ` 9839.60 Lacs)				
-Sale of Traded Goods `16707.49 Lacs ( P.Y.` 22018.02 Lacs)				
ii) Sale of services(Incl. Service Tax)	69972.53		67454.69	
iii) Other Operating Revenues:				
a) Sale of Scrap	0.78		0.17	
b) Income from DLRC Project	94.61		76.00	
c) Non competing fee	0.00		14.74	
TOTAL	92199.80		99403.22	
less: Excise Duty	467.50		704.52	
Less: Service Tax	7406.29		7102.54	
Total Revenue from operations-Net		84326.01		91596.16
Sales accounted on provisional basis/prices for supply of 'various equipments. Variation, if any, will be accounted on the determination of final prices. Impact on profit is not ascertainable. Where firm rates for sales are not established accounting for refund/adjustment of Excise Duty/Sales Tax is on provisional basis. The aggregate provisional sales during the Year is ` 4749 lakhs as against `2562 lakhs of the previous year. The reversal of the provisional sales relating to previous years during the Year is ` Nil.		4749.00		2562.00

Consequent to change in the Significant accounting Policy(SAP) for accounting of sales revenue including Excise Duty and Service tax as compared to only Excise Duty in the previous years(Refer Significant Accounting Policy 10.00 Revenue Recognition) gross sales for the year is higher by ` 7406.29 lakhs(` 7102.54 lakhs). However, change in the SAP has no effect on the net sales revenue and loss for the year.

Construction/ Turnkey Contracts:

The company for the financial year 2012-13(p.y.2011-12) has recognised revenue on Construction/ Turnkey contracts based on stage of completion as determined with respect to completion of physical proportion of the contract as certified and furnished by Company's Engineers. Consequently,

i. The contract revenue recognised in the period based on the above	6206.79	5936.10
ii. Aggregate amount of cost incurred upto reporting date *	837926.37	844494.76
iii. Profit (net of loss, if any) recognised upto reporting date	(100463.51)	(97700.10)
iv. Amount of advance received	149633.54	149622.79
v. Amount of retention money, if any	0.00	0.00
vi. Sundry Debtors as at the end of the period pertaining to the contracts	326945.92	358442.22
vii. Contract Work-in-Progress as at 31st March 2013	0.00	162.36

*Includes allocation of Overheads made by Mankapur and Raebareli Plants.

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Sales under broad heads				
1. NPR	2631.10		5150.76	
2. Electonic Switching Equipments	2496.93		8813.75	
3. MLLN	0.00		203.71	
4. SIM Card	(1.10)		27.99	
5. Transmission Equipment	404.18		1540.13	
6. Telephone	267.54		534.47	
7. STM	0.00		4.21	
8. DWDM	0.00		907.13	
9. SOLAR PANEL	2276.04		687.28	
10.SWAN	1402.03		3398.24	
11. APDRP	7078.58		5161.00	
12.IT PRODUCTS	1095.76		3728.07	
13. Others	4480.82		1700.88	
TOTAL		22131.88		31857.62
Service Income under broad heads				
1. AMC	12597.58		11508.91	
2. SSTP	329.09		438.28	
3. NPR	10268.09		20010.48	
4.SECC	30730.19		22983.33	
5. Data Center	1805.11		1210.85	
6. IT	3783.03		795.28	
7. SWAN	1620.96		717.50	
8.Others	8838.48		9790.06	
TOTAL		69972.53		67454.69
Earnings in Foreign Currency				
Export of goods calculated on FOB basis	0.00		0.00	
Royalty, Knowhow, Professional and Consultancy fees	0.00		0.00	
Interest and Dividend	0.00		0.00	
Services	0.00		0.00	
Total		0.00		0.00

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Note No.28				
II- OTHER INCOME				
a) INTEREST INCOME				
i) INTEREST ON INTER CORP ADVANCES	0.00		0.00	
ii) INTEREST - OTHERS	51.47		175.35	
Total		51.47		175.35
b) DIVIDEND FROM NON-TRADING INVESTMENTS		0.00		0.00
c) NET GAIN /LOSS ON SALE OF INVESTMENT		0.00		0.00
d) OTHER NON -OPERATING INCOME(NET OF EXPENSES DIRECTLY ATTRIBUTABLE TO SUCH INCOME):				
i) PROFIT ON SALE OF ASSETS	1.02		55.16	
LESS: TRANSFER TO CAPITAL RESERVES	0.00		0.00	
TOTAL	1.02		55.16	
ii)COMMISSION	0.00		0.00	
iii)RENT	1403.83		1262.96	
iv) LEASE RENT	0.00		0.00	
v) TRANSPORT CHARGES	6.13		0.68	
vi) SALE OF SCRAP	29.00		33.01	
vii) WATER CHARGES/ELECTRICITY CHARGES	118.21		103.57	
viii) IT REFUND	0.00		0.00	
ix) EXCESS PROVISION WITHDRAWN	297.00		99.58	
x) REIMBURSEMENT OF VRS	0.00		0.00	
xi) WITHDRAWAL OF LIABILTY NO LONGER REQUIRED	28.90		87.04	
xii) WAIVER OF LIQUIDATED DAMAGES	152.95		12.52	
xiii)COMPENSATION FOR SRINAGAR LOSS	550.07		707.91	
xiv) WAIVER OF INTEREST CHARGES	0.00		0.00	
xiii) MISC. INCOME	231.45		272.53	
xiv) TRANSFER FROM GRANT IN AID	160.63		0.00	
xv) REVENUE GRANT-IN-AID-VRS	2.95		19.85	
xvi) REVENUE GRANT-IN-AID-OTHERS	0.00		0.00	
xvii) CAPITAL GRANT-IN-AID	308.15		472.38	
TOTAL(i to xvii)		3290.29		3127.19
e) Adjustment to the carrying value of investments(write back)		0.00		0.00
f) Net gain /loss on foreign currency translation and transaction(other than considered as finance cost)		0.00		0.00
G.TOTAL		3341.76		3302.54

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Note No.29				
Consumption of Raw Materials & Production Stores				
Opening Stock	6105.26		6641.33	
ADD: Prior Period Adjustment due to Price Revision	0.00		0.00	
Purchases/Transfers	15768.49		15671.47	
Material for Installation & Maintenance	0.00		0.00	
TOTAL		21873.75		22312.80
LESS CLOSING STOCK	6333.08		6105.27	
ISSUES TO REVENUE AND OTHERS	211.18		708.52	
MAT TRANSFERRED TO OTHER UNITS :	0.00		0.00	
TOTAL		6544.26		6813.79
ADD: STORES INDIRECT EXPS RELATING TO RM AND PRODN STORES		49.78		(30.67)
CONSUMPTION		15379.27		15468.34
Raw materials consumed under broad heads particulars		Amount		Amount
1. Electronic Goods & Components	14554.33		9773.19	
2. MNIC	824.94		5695.15	
Total		15379.27		15468.34

Value of Imports on CIF basis

	CIF value	Custom Duty	Other Charges	Current Year TOTAL	Previous Year TOTAL
Raw Materials and Production Stores	1604.59	64.10	47.84	1716.53	6227.76
Components and Spare Parts	21.46	3.51	0.69	25.66	9.08
Material in transit	546.24	263.10	0.00	809.34	6874.25
Capital Goods	125.41	32.58	0.82	158.81	97.42
TOTAL	2297.70	363.29	49.35	2710.34	13208.51

Value of Imported Raw Materials, Store and Spare parts consumed and Value of Indigenous Materials Consumed and percentage of each to the total consumption.

Particulars	Current Year ` Lakhs	Current Year %	Previous Year ` Lakhs	Previous Year %
Imported	3901.06	18.45	7307.35	37.01
Indigenous	17245.07	81.55	12434.32	62.99
Total	21146.13	100.00	19741.67	100.00

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013	For the year ended on 31.03.2012
Note No.30		
Purchase of Stock-in-Trade	8109.43	16040.96
Goods purchased under broad heads		
Particulars	Amount	Amount
1. Telephone	0.00	159.92
2. STM	0.00	35.49
3. DWDM	0.00	376.98
4. SOLAR	1978.68	629.32
5. SSTP	0.00	0.44
6. CDMA	(31.07)	(2492.11)
7. SMPS	6.18	228.41
8. ASCON	405.29	264.62
9. GSM	2850.61	4806.74
10. IT	0.00	4326.88
11. APDRP	0.00	4902.95
10. Others	2899.74	2801.32
TOTAL	8109.43	16040.96

Note No.31

Changes in inventories of Finished Goods,Work-in-Progress and Stock-in-Trade

Accretion/(Decretion) to WIP

Particulars	31.03.2013	31.03.2013	31.03.2012	31.03.2012
WIP - Production :				
Closing Balance	2685.01		3239.16	
Less: Opening Balance	3239.16		3174.65	
TOTAL	(554.15)		64.51	
Add: Write Off during the Year	0.00		0.00	
Less: Prior Period Adjustments due to Price Revision/ Grossing up of Provision	0.00		0.00	
TOTAL		(554.15)		64.51
WIP - Installation:				
Closing Balance	0.00		0.00	
Less: Opening Balance	0.00		0.00	
TOTAL	0.00		0.00	
Add: Write Off during the Year	0.00		0.00	
Less: Prior Period Adjustments due to Price Revision/ Grossing up of Provision	0.00		0.00	
TOTAL		0.00		0.00

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Accretion/(Decretion) to Manufacturing Components				
Closing Balance	1224.21		1469.52	
Less: Opening Balance	1469.52		1297.29	
TOTAL	(245.31)		172.23	
Add: Write Off during the Year	0.00		0.00	
Less: Prior Period Adjustments due to Price Revision/ Grossing up of Provision	0.00		0.00	
TOTAL		(245.31)		172.23
WIP - Installation:				
Closing Balance	0.00		162.36	
Less: Opening Balance	162.36		0.00	
TOTAL	(162.36)		162.36	
Add: Write Off during the Year	0.00		0.00	
Less: Prior Period Adjustments due to Price Revision/ Grossing up of Provision/effects of WIP	0.00		162.36	
TOTAL		(162.36)		0.00
Accretion/(Decretion) to Stock-in-Trade				
Stock-in-Trade :				
Closing Balance	1545.04		1671.66	
Less: Opening Balance	1671.67		1624.22	
Total	(126.63)		47.44	
Add: Write Off during the Year	0.00		0.00	
Less: Prior Period Adjustments due to Price Revision/ Grossing up of Provision	0.00		0.00	
TOTAL		(126.63)	47.44	47.44
Stock of Scrap				
Closing Balance	0.00		0.00	
Less: Opening Balance	0.00		0.00	
ADD : Prior Period Adjustments	0.00		0.00	
TOTAL		0.00		0.00
G.TOTAL		(1088.45)		284.18

Note No.32

EMPLOYEE BENEFIT EXPENSES:				
i)SALARIES&WAGES :				
Salaries & Wages	28302.65		29034.62	
Less: Other Revenue Accounts	0.00		0.00	
TOTAL	28302.65		29034.62	
Bonus	0.68		55.46	
Incentive	27.58		0.31	
G.TOTAL		28330.91		29090.39

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
ii) CO'S CONTRIBUTION TO PF AND OTHER FUNDS:				
Providend Fund & Pension Fund	3252.51		3258.67	
Employees State Insurance	11.69		11.48	
Gratuity Trust Fund	2941.47		3974.02	
Leave Salary- PL	3193.82		2257.19	
Sick Leave	3.05		(33.85)	
Deposit Linked Insurance/Group Insurance	38.50		35.25	
TOTAL		9441.04		9502.76
iii) WORKMEN AND STAFF WELFARE EXPENSES				
Welfare Expenses - Canteen	281.50		296.78	
Welfare Expenses - Education	258.12		218.47	
Medical Expenses	896.53		921.42	
LTC/LLTC	(32.74)		(10.89)	
Uniforms	9.26		1.09	
Others	87.82		105.04	
TOTAL		1500.49		1531.91
iv) VOLUNTARY RETIREMENT SCHEME				
VRS Payments		2.95		19.85
G. TOTAL		39275.39		40144.91
Compensation to employees of the company opted for Voluntary Retirement during 2012-13 has been charged off to the Profit & Loss account and the like amount has been withdrawn from Grant in Aid received from GOI and has been credited to Profit and Loss account .		2.95		19.85

Remuneration paid to Key Management Personnel [As required under AS-18]	2012-13 `	2011-12 `
Shri K.L.Dhingra - CMD - Salary and Perquisites	2137482.00	2417220.00
Shri Rajni Kumar Agarwal - Director (Marketing) - Salary and Perquisites	1224293.00	1097641.00
Shri Ravi Khandelwal -Director (Finance) -Salary and Perquisites	1943516.00	1729767.00
Shri K.K.Gupta - Director (Production) - Salary and Perquisites	1222656.00	1091274.00

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
DISCLOSURE REPORT UNDER AS15 [REVISED 2005]				
Defined Benefit Plan				
The Employees Gratuity Fund Scheme Managed by a Trust is a defined benefit Plan. The Present value of Obligation is determined based on Actuarial Valuation. The obligation for Leave encashment is recognized based on Actuarial Valuation which is unfunded.	Gratuity		Privilege Leave Encashment	
I. PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Discount Rate	7.80%	8.50%	7.80%	8.50%
Salary escalation rate	13.00%	12.70%	13.00%	12.70%
Attrition rate	10.24%	11.18%	10.24%	11.18%
Expected rate of return on Plan Assets	10.35%	8.50%	0.00%	0.00%
In the following tables,all amounts are in Rupees, unless otherwise stated				
II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:				
PVO as at the beginning of the period	39786.00	40897.41	16153.52	16196.35
Interest Cost	3152.22	2881.12	1271.95	1127.77
Current service cost	1248.98	1355.31	422.95	446.69
Past service cost - (non vested benefits)	0.00	0.00	0.00	0.00
Past service cost - (vested benefits)	0.00	0.00	0.00	0.00
Benefits paid	(5402.00)	(4965.00)	(2378.90)	(2318.87)
Actuarial loss/(gain) on obligation (balancing figure)	1864.37	(382.84)	1497.71	701.57
PVO as at the end of the period	40649.58	39786.00	16967.23	16153.52
III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:	15274.00	20285.00	0.00	0.00
Fair value of plan assets as at the beginning of the period	1068.70	1513.21	0.00	0.00
Expected return on plan assets	0.00	0.00	2378.90	2318.87
Contributions	(5402.00)	(4965.00)	(2378.90)	(2318.87)
Benefits paid	1874.30	(1559.21)	0.00	0.00
Actuarial gain/(loss) on plan assets [balancing figure]	12815.00	15274.00	0.00	0.00
Fair value of plan assets as at the end of the period				

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
	Gratuity		Privilege Leave Encashment	
IV. ACTUAL RETURN ON PLAN ASSETS	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Expected return on plan assets	1068.70	1513.21	0.00	0.00
Actuarial gain (loss) on plan assets	1874.30	(1559.21)	0.00	0.00
Actual return on plan assets	2943.00	(46.00)	0.00	0.00
V. ACTUARIAL GAIN / LOSS RECOGNIZED				
Acturial gain / (loss) for the period - Obligation	(1864.37)	382.84	(1497.71)	(701.57)
Actuarial gain / (loss) for the period- Plan Assets	1874.30	(1559.21)	0.00	0.00
Total (gain) / loss for the period	(9.92)	1176.37	1497.71	701.57
Actuarial (gain) / loss recognized in the period	(9.92)	1176.37	1497.71	701.57
Unrecognized actuarial (gain) / loss at the end of the year	0.00	0.00	0.00	0.00
VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES				
Present value of the obligation	40649.58	39786.00	16967.23	16153.52
Fair value of plan assets	12815.00	15274.00	0.00	0.00
Difference	27834.58	24512.00	16967.23	16153.51
Unrecognised transitional liabilty	0.00	0.00	0.00	0.00
Unrecognised past service cost - non vested benefits	0.00	0.00	0.00	0.00
Liability recognized in the balance sheet	27834.58	24512.00	16967.23	16153.52
VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:				
Current service cost	1248.98	1355.31	422.95	446.69
Interest Cost	3152.22	2881.12	1271.95	1127.77
Expected return on plan assets	(1068.70)	(1513.21)	0.00	0.00
Net actuarial (gain)/loss recognised in the year	(9.92)	1176.37	1497.71	701.57
Transitional Liability recognised in the year	0.00	0.00	0.00	0.00
Past service cost - non-vested benefits	0.00	0.00	0.00	0.00
Past service cost - vested benefits	0.00	0.00	0.00	0.00
Expenses recognized in the statement of profit and loss	3322.58	3899.59	3192.91	2276.03
VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET				
Opening net liability	24512.00	20612.41	16153.52	16196.35
Expense as above	3322.58	3899.59	3192.61	2276.03
Contribution paid	0.00	0.00	(2378.90)	(2318.87)
Closing net liability	27834.58	24512.00	16967.23	16153.52
IX. AMOUNT FOR THE CURRENT PERIOD				
Present Value of obligation	40649.58	39786.00	16967.23	16153.52
Plan Assets	12815.00	15274.00	0.00	0.00
Surplus (Deficit)	(27834.58)	(24512.00)	(16967.23)	(16153.52)
Experience adjustments on plan liabilities -(loss)/gain	(621.11)	(32751.00)	(763.59)	(1177.06)
Experience adjustments on plan assets -(loss)/gain	1874.30	(1559.21)	0.00	0.00

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
	Gratuity		Privilege Leave Encashment	
X. MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Government of India Securities	0.00%	2.00%	0.00%	0.00%
State Government Securities	0.00%	0.00%	0.00%	0.00%
High Quality Corporate Bonds	0.00%	0.00%	0.00%	0.00%
Equity shares of listed companies	0.00%	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%	0.00%
Special Deposit Scheme	0.00%	0.00%	0.00%	0.00%
Funds managed by Insurer	55.00%	47.00%	0.00%	0.00%
Others - PSU Bonds	45.00%	51.00%	0.00%	0.00%
Total	100.00%	100.00%	0.00%	0.00%
XI. ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR	26600.00	26600.00	-	-

The obligation for Compensated absence of Sick Leave is a non contributory defined benefit scheme. The Obligation for Sick Leave is recognized based on Actuarial Valuation which is unfunded.

	Sick Leave	
I. PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]	31/03/2013	31/03/2012
Discount Rate	7.80%	8.50%
Salary escalation rate	13.00%	12.70%
Attrition rate	10.24%	11.18%
Expected rate of return on Plan Assets	0.00%	0.00%
In the following tables,all amounts are in Rupees,unless otherwise stated		
II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:	2012-13	2011-12
PVO as at the beginning of the period	406.46	440.32
Interest Cost	34.55	33.02
Current service cost	30.17	34.84
Past service cost - (non vested benefits)	0.00	0.00
Past service cost - (vested benefits)	0.00	0.00
Benefits paid	0.00	0.00
Actuarial loss/(gain) on obligation (balancing figure)	(61.73)	(101.73)
PVO as at the end of the period	409.44	406.46

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012
	Sick Leave		
III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:	2012-2013	2011-2012	
Fair value of plan assets as at the beginning of the period	0.00	0.00	
Expected return on plan assets	0.00	0.00	
Contributions	0.00	0.00	
Benefits paid	0.00	0.00	
Actuarial gain/(loss) on plan assets [balancing figure]	0.00	0.00	
Fair value of plan assets as at the end of the period	0.00	0.00	
IV. ACTUAL RETURN ON PLAN ASSETS			
Expected return on plan assets	0.00	0.00	
Actuarial gain (loss) on plan assets	0.00	0.00	
Actual return on plan assets	0.00	0.00	
V. ACTUARIAL GAIN / LOSS RECOGNIZED			
Acturial gain / (loss) for the period - Obligation	61.73	101.73	
Actuarial gain / (loss) for the period- Plan Assets	0.00	0.00	
Total (gain) / loss for the period	(61.73)	101.73	
Actuarial (gain) / loss recognized in the period	(61.73)	101.73	
Unrecognized actuarial (gain) / loss at the end of the year	0.00	0.00	
VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES			
Present value of the obligation	409.44	406.46	
Fair value of plan assets	0.00	0.00	
Difference	409.44	406.46	
Unrecognised transitional liabilty	0.00	0.00	
Unrecognised past service cost - non vested benefits	0.00	0.00	
Liability recognized in the balance sheet	409.44	406.46	
VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:			
Current service cost	30.17	34.84	
Interest Cost	34.55	33.02	
Expected return on plan assets	0.00	0.00	
Net actuarial (gain)/loss recognised in the year	(61.73)	(101.73)	
Transitional Liability recognised in the year	0.00	0.00	
Past service cost - non-vested benefits	0.00	0.00	
Past service cost - vested benefits	0.00	0.00	
Expenses recognized in the statement of profit and loss	2.98	(33.86)	

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
	Sick Leave			
VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET	2012-2013	2011-2012		
Opening net liability	406.46	440.32		
Expense as above	2.98	(33.86)		
Contribution paid	0.00	0.00		
Closing net liability	409.44	406.46		
IX. AMOUNT FOR THE CURRENT PERIOD				
Present Value of obligation	409.44	406.46		
Plan Assets	0.00	0.00		
Surplus (Deficit)	(409.44)	(406.46)		
Experience adjustments on plan liabilities -(loss)/gain	78.76	77.44		
Experience adjustments on plan assets -(loss)/gain		-	-	
X. MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)				
Government of India Securities	0.00%	0.00%		
State Government Securities	0.00%	0.00%		
High Quality Corporate Bonds	0.00%	0.00%		
Equity shares of listed companies	0.00%	0.00%		
Property	0.00%	0.00%		
Special Deposit Scheme	0.00%	0.00%		
Funds managed by Insurer	0.00%	0.00%		
Others - PSU Bonds	0.00%	0.00%		
Total	0.00%	0.00%		
XI. ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR	-	-		
The obligation for Leave Travel Concession is a non contributory defined benefit scheme. The Obligation for LTC Availment & LLTC Encashment is recognized based on Actuarial Valuation which is unfunded.	LTC availment		LTC Encashment	
I. PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Discount Rate Year 1	7.70%	8.00%	7.70%	8.00%
Discount Rate Year 2	0.00%	8.00%	0.00%	6.00%
Attrition rate	10.24%	11.18%	-	-
Present Value Obligation	147.27	304.55	113.41	132.59

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Note No.33				
FINANCING COSTS				
Cash Credit	7238.53		7012.84	
Public Deposits	0.00		0.00	
Bonds	0.00		0.00	
Term Loan	0.00		0.00	
Others	933.97		563.59	
ii) Bank charges	307.43		292.24	
iii) Government Guarantee Fee	0.00		0.00	
iv) Expenses on Issue of Bonds/Loans	0.00		0.00	
v) Net gain/loss from foreign currency translations& transactions	445.45		656.10	
TOTAL		8925.38		8524.77
In respect of Interest charged in excess of State Bank Advance Rate w.e.f. 01.04.2009, aggregate refund received upto 31.03.2013 is ` 1200.94 Lakhs (refund received during 2012-13 is ` 959.74 Lakhs) from State Bank of India, State Bank of Hyderabad,State Bank of Patiala,State Bank of Travancore and Canara Bank, Bank of Baroda,Central Bank of India, Development Credit Bank Ltd, Axis Bank Ltd. The remaining Banks viz, Punjab National Bank, Vijaya Bank,State Bank of Bikaner & Jaipur, State Bank of Mysore,Indus Ind Bank Ltd. and Indian Bank are expected to refund excess interest charged in excess of SBAR w.e.f. 01.04.2009 during 2013-2014.				
Note No.34				
DEPRECIATION AND AMORTIZATION EXPENSES:				
Fixed Assets	3510.17		3954.69	
Tools and Gauges	4.06		53.50	
TOTAL	3514.23		4008.19	
Less: Transfer from Revaluation Reserve	1681.80		1877.88	
Net Depreciation		1832.43		2130.31
Note No.35				
OTHER EXPENDITURE:				
DRE Written off		0.00		0.00
VRS Expenditure		0.00		0.00
MANUFACTURING EXPENSES:				
Cosumption of Stores and Spares		330.32		334.34
Power and Light		2062.25		1670.23
Water Charges		210.76		190.54

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
REPAIRS AND MAINTENANCE:				
i)Plant Machinary and Equipment	147.63		115.09	
ii)Vehicles	36.45		47.35	
iii)Buildings	420.09		506.07	
iv)Other Equipments	216.89	821.06	178.87	847.38
Cost and Expenses on Tools		7.33		9.62
Experimental Work and Training Expenses		11.19		26.22
Expenses on Minor Equipment & Work		0.26		0.31
Royalty		5.08		3.20
Scrap and Salvages		0.44		4.41
Factory Expenses		170.86		246.46
TOT CHARGES:				
i)Technical Assistance	0.00		0.00	
ii)Technical Knowhow fee	0.00		0.00	
iii)Documentation Charges	0.00		0.00	
iv)Training Assistance	0.00		0.00	
v) Others	0.00	0.00	0.00	0.00
Liquidated Damages		525.11		518.95
Demurage Charges		2.24		5.76
Net gain /loss on foreign currency translation and transaction(other than considered as finance cost)		0.00		0.46
TOTAL MANUFACTURING EXPENSES		4146.90		3857.88
ADMINISTRATION EXPENSES:				
Rent	278.02		310.59	
Rates and Taxes	82.57		73.82	
Insurance	104.82		115.40	
TRAVELLING EXPENSES				
-Inland	468.78		448.81	
-Foreign	0.74		0.50	
Legal fees	59.89		35.23	
Postage, Telegram, Telex Expenses	39.22		46.10	
Telephone and Trunk Call Charges	97.55		111.55	
REMUNERATION TO AUDITORS:				
-Audit Fees	3.78		3.45	
- For Taxation Matters	0.66		0.59	
- For Company Law Matters	0.00		0.00	
- For Management Services	0.00		0.00	
- For Reimbursement of Expenses	1.02		1.85	
- For Other Services	0.98		0.83	
CISF/ Private Security Expenses	517.84		500.66	

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Printing, Stationary and Duplicating Charges	66.82		77.70	
Transport Expenses	548.29		604.17	
News Papers, Magazines & Periodicals	27.54		28.58	
Mechainised Accounting Expenses	0.00		0.00	
Lease Charges	0.00		0.00	
Licence fee/Segment Charges	0.54		12.90	
Office Expenses	226.92		272.39	
Provision for Obsoloscence of RM Stores	0.00		38.09	
Obsolete RM & Production Stores Write off	0.00		283.66	
Provision for Capital WIP Write off	0.00		0.00	
Provision for Debtors/Advance	1262.12		583.50	
Bad Debts Write off	0.00		0.00	
Claims and Expenses Charge off	0.00		0.00	
Loss on Sale of Assets	0.00		0.00	
Irrecoverable ED	0.22		0.00	
Adjustment to the Carrying Amount Investments	0.00		0.00	
Net Loss on Sale of Investments	0.00		0.00	
TOTAL ADMINISTRATION EXS		3788.32		3550.37
SELLING EXPENSES				
Selling Agency Commission	4.84		5.69	
Advertisement Expenses	16.98		15.44	
Exhibition and Publicity Expenses	10.73		4.40	
Packing Expenses	55.70		49.93	
Forwarding Expenses	52.17		71.78	
Discount Allowed	0.00		0.00	
Warrenty Expenses	33.31		(47.49)	
Sales Promotion Expenses	1.44		0.41	
Entertainment Expenses	(1.28)		(0.65)	
Cost of Tender Forms	3.41		6.14	
TOTAL SELLING EXPENSES		177.30		105.65
TOTAL OTHER EXPENSES		8112.52		7513.90

Interest on Royalty payable to C-DOT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time towards rent payable for the premises taken on lease by C-DOT.

In case of back to back arrangements, Liquidated damages is accounted on net basis.

Notes to the Financial Statements (Contd...)

` in lakhs

Particulars	For the year ended on 31.03.2013		For the year ended on 31.03.2012	
Expenditure in Foreign Currency :				
Royalty	0.00		0.00	
Knowhow	0.00		0.00	
Professional / Consultation Fees	0.00		0.00	
Interest	0.00		0.00	
Others	546.10	546.10	70.83	70.83
Note No.36				
TRANSFER TO CAPITAL ACCOUNT	0.00		0.00	
CAPITAL WIP:	0.00		0.00	
OTHER ASSETS	0.00		1.88	
TOTAL		0.00		1.88
Note No.37				
PRIOR PERIOD ADJUSTMENTS(NET)				
INCOME				
Sales & Services	(8.71)		(127.27)	
Withdrawl of Liability no Longer Required	0.00		0.00	
Interest	0.00		0.00	
Others	4720.49		12.93	
TOTAL		4711.78		(114.34)
EXPENDITURE				
Consumption of Raw material and Production Stores	(63.54)		(61.62)	
Interest	0.00		0.00	
Depreciation	0.00		0.00	
Others	0.17		60.12	
TOTAL		(63.37)		(1.50)
NET PRIOR PERIOD ADJUSTMENTS		4775.15		(112.84)
Note No.38				
EXCEPTIONAL ITEMS				
VRS Payments		0.00		0.00
Note No.39				
Extra Ordinary Items		(13000.00)		0.00

Notes to the Financial Statements (Contd...) ` in lakhs

Particulars	Current Year 2012-13	Previous Year 2011-12

Additional Disclosures

Note No. 40

1 Corporate information:

ITI Limited is a Public Limited Company incorporated under the provisions of the Companies Act, 1956. The Company is primarily engaged in the business of Manufacture, sale and servicing of Telecommunication equipments.

2 Execution and registration of sale deed for assets sold to DRDO for ` 2600 lacs during 2003-2004 is under process.

3 As per the Presidential directives and Tripartite agreement on wage settlement with employees, wage revision arrears for the period from 01.01.1997 to 31.03.2000 is to be paid by the Company in a phased manner on the improvement of profitability position and also generation and availability of funds. Since the company has already been declared by BIFR as a sick company and the condition for payment of wage revision arrears as per directives/agreement aforesaid are not prevalent, company has not provided any liability for payment of arrears of wage revision for this period amounting to ` 16500 lakhs. This amount has been included in the Draft Rehabilitation Scheme(DRS) submitted to BIFR.

4 Balances in the accounts of creditors, advances from customers, debtors, claims recoverable, loans & advances, materials with fabricators, subcontractors/others, material in transit, deposits, loans, and other payables/receivables such as Sales Tax, VAT, Excise Duty, Cenvat, Service Tax, TDS etc., are under confirmation/reconciliation.

5 The Company is engaged in the business of manufacture, sale and servicing of telecommunication equipments and there are no separate reportable segments as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

6 As per Accounting Standard 18 on Related Party Disclosures the following transactions are entered into with the Joint Ventures of the company viz. India Satcom Ltd.,(ISL) and ITI Communications Pte. Ltd, Singapore(ITI-C).

	2012-13		2011-12	
	ISL	ITI-C	ISL	ITI-C
Purchase of goods\Services	0.00	0.00	0.00	0.00
Sale of goods\Services	0.00	0.00	0.00	0.00
Amount Outstanding:				
- Due from the related party	0.00	47.90	0.00	47.90
- Due to the related party	0.00	0.00	0.00	0.00
Provision for doubtful debts against dues from related party.	0.00	47.90	0.00	47.90
Written Off during the Year	0.00	0.00	0.00	0.00

7 Earnings Per Share after Extraordinary items Calculation:

Profit after tax	(18205.99)	(36979.91)
(-) Preference Dividend	2275.00	2275.00
Dividend tax	386.64	386.64
Profit available to equity shareholders	(20867.63)	(39641.55)
No. of Shares at beginning of the year	288000000	288000000
No. of Shares at close of the year	288000000	288000000
EPS: Basic and Diluted (in `)	(7.25)	(13.76)

Notes to the Financial Statements (Contd...) ` in lakhs

Particulars	Current Year 2012-13	Previous Year 2011-12
8 Since the Company has no virtual certainty of sufficient future taxable income, deferred tax asset is not being recognised on unabsorbed depreciation and carried forward losses of the Company under Accounting Standard (AS)-22 "Accounting for Taxes on Income"		
9 In 2012-13, an amount of ` 13000 lakhs was received by the Company from the Ministry of Communication & IT, Government of India towards salary for four months in 2011-12 and the amount is recognized as income in the year under Extraordinary Item.		
10 The Company has not provided for ` 2685 Lakhs being penalty on non payment of guarantee fee to the Government of India, since the Ministry of Communications & IT has agreed in principle to waive the same as part of the Company revival package.		
11 JOINT VENTURES:		
The financial reporting of interests in Joint Ventures as per AS-27:		
(a) India Satcom Limited		
No.2, Kadugodi Industrial Area, Whitefield, Bangalore - 560 067		
Company's stake in equity participation	49%	49%
Place of incorporation of JV-India		
(b) ITI Communications Pte Limited (ITI - C)		
No.5, Shenton way, #27-01, UIC Building, Singapore-068808		
Company's stake in equity participation	49%	49%
Place of incorporation of JV-Singapore		
Aggregate amount of the assets	-	13363
Aggregate amount of the liabilities	-	13363
Aggregate amount of the income	-	1.11
Aggregate amount of the expenses	-	344.50
(Above figures are for ISL only and does not include that of ITI-C, Singapore, which is in the process of liquidation)		
(Bank account of ISL in SBI-IFB became NPA during September 2009 and referred to Stressed Asset Management Branch of SBI. Under the securitization and Reconstruction of Financial Assets and enforcement of Security Interest Act 2002 (SARFAESI), SBI has taken possession of the property of ISL factory at Bangalore in May 2011. The accounts of ISL for the year 2012-13 is yet to be received).		
12 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.00	0.16
Commitments in respect of other contracts not provided for-	0.00	0.00

Notes to the Financial Statements (Contd...)

` in lakhs

	Particulars	Current Year 2012-13	Previous Year 2011-12
13	Contingent Liability in respect of		
	- Outstanding letters of credit & guarantees	44008.37	26511.60
	- Sales Tax demand /Service Tax/Income Tax	3077.91	3377.16
	- Non receipt of C/D forms	2179.31	7239.87
	- Disputed Excise Duty Demand/CENVAT Disallowance	2387.47	4171.70
	- ESI demand	0.00	93.75
	- Demand of interest & penalty by KVAT	445.43	445.43
	- Claims against the Company not acknowledged as debts	3635.77	7028.55
14	Other Income includes compensation relating to Srinagar unit losses for the years 2012-13 awaiting reimbursement from Ministry of Communications.	550.07	707.91

15 Value of Imported Raw Materials, Store and Spare parts consumed and Value of Indigenous Materials Consumed and percentage of each to the total consumption

	CURRENT YEAR	%	PREVIOUS YEAR	%
Imported	3901.06	18.45	7307.35	37.01
Indigenous	17245.07	81.55	12434.32	62.99
Total	21146.13	100.00	19741.67	100.00

16 Accretion/Decretion to stock-in-trade is arrived at after considering due adjustment to difference in excise duty element in respect of opening and closing stock-in-trade.

17 Of the 12.15 acres of land proposed to be leased to Bangalore Metropolitan Transport Corporation, BMTC (which has not been revalued), 8.22 acres is already in possession of the BMTC. Pending Government of India approval for the lease, lease terms and agreement yet to be finalised. Lease rental will be recognised on finalisation of the terms. An amount of ` 285 lakhs received earlier from the BMTC is held under deposits.

18 National Highways Authority of India (NHAI) has acquired 1.375 acres of land in 2007-08 for public purpose for which compensation is yet to be received pending submission of certain records by the unit. Proportionate cost of the acquired land has been withdrawn from Freehold Land under fixed assets and held as Claims Recoverable. On receipt of the compensation from the NHAI, necessory accounting adjustments will be carried out.

19 Karnataka Power Transmission Corporation Limited is using 5 Acres of Land and the same is not revalued.

20 Value of Imports on CIF basis

	Current Year	Previous Year
Raw Materials and Production Stores	1716.53	6227.76
Components and Spare Parts	25.66	9.08
Material in transit	809.34	6874.25
Capital Goods	158.81	97.42
TOTAL	2710.34	13208.51

Notes to the Financial Statements (Contd...) ` in lakhs

Particulars		Current Year 2012-13	Previous Year 2011-12

21 Rent from C-DoT, Government of India aggregating ` 5847.90 lakhs has not been realised for the years 2005-06 to 2010-11. Due to uncertainity of realisation, recognition of gross rental revenue aggregating ` 2003.94 lakhs for the financial years 2011-12 & 2012-13 on accrual basis is deferred, which is in conformity with AS-9.

22 Performance Indicators - Ratios

- Sales to Total Assets Sales incl. ED / Total Assets (Net Fixed Assets + Investments + Gross Current Assets)	Times	0.13	0.14
- Operating Profit to Capital employed Profit before tax / (Share holders' funds + Loan funds)	[%]	-ve	-ve
- Return on Net Worth (Profit after tax / Share holders' funds)	[%]	-ve	-ve
- Profit to Sales (Profit before tax to sales incl. ED)	[%]	-ve	-ve

23 Previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's classification.

24 Figures in brackets indicated in the Accounts reflect negative balances.

Per our report of even date
For **BADARI, MADHUSUDHAN & SRINIVASAN**
Chartered Accountants

Sd/-
T.V. SUDARSHAN
Partner
M. No. 019108
Firm Reg No.: 005389S

Sd/-
K.T. MAYURANATHAN
Company Secretary

Sd/-
R.K. AGARWAL
Director – Marketing & Addl. Charge of Director - Finance

Sd/-
K.L. DHINGRA
Chairman and Managing Director

Place: Bangalore
Date: 29/05/2013

CAPITAL EXPENDITURE ON AMENITIES 2012-13

PARTICULARS	GROSS BLOCK AT COST				
	AS AT 31/03/2012	ADDITIONS DURING THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST-MENTS	AS AT 31/03/2013
	1	2	3	4	5=1+2-3-4
TOWNSHIP	1097.15	0.06	0.00	0.00	1097.21
TRANSPORT	5.75	0.11	0.00	0.00	5.86
MEDICAL	7.69	0.00	0.00	0.00	7.69
CANTEEN	6.45	0.00	0.00	0.00	6.45
SCHOOL CLUBS, AUDITORIUM SOCIAL AND CULTURAL ACTIVITIES	13.41	0.00	0.00	0.00	13.41
VEGETABLE FARMS, PARKS ETC.	0.05	0.00	0.00	0.00	0.05
TOTAL	1130.50	0.17	0.00	0.00	1130.67

CAPITAL EXPENDITURE ON AMENITIES 2012-13

` in Crores

DEPRECIATION						
UPTO 31/03/12	FOR THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST-MENTS	UPTO 31/03/2013	As at 31/03/2013	As at 31/03/2012
6	7	8	9	10=6+7-8-9	11=5-10	12
101.34	1.11	0.00	0.00	102.45	994.76	995.81
5.54	0.06	0.00	0.00	5.60	0.26	0.21
3.18	0.08	0.00	0.00	3.26	4.43	4.51
2.42	0.16	0.00	0.00	2.58	3.87	4.03
5.03	0.17	0.00	0.00	5.20	8.21	8.38
0.03	0.00	0.00	0.00	0.03	0.02	0.02
117.54	1.58	0.00	0.00	119.12	1011.55	1012.96

REVENUE EXPENDITURE ON AMENITIES 2012-13

` in Crores

PARTICULARS	TOWNSHIP	TRANSPORT	MEDICAL	CANTEEN	SCHOOLS, CLUBS, AUDITORIUM, SOCIAL AND CULTURAL ACTIVITIES	VEGETABLES FARMS, PARKS ETC.	2012-13	2011-12
Pay and Allowances	2.76	4.17	5.68	2.54	0.20	0.46	15.81	16.81
Uniforms	0.02	0.00	0.02	0.00	0.00	0.00	0.04	0.00
Grants	0.00	0.00	0.00	0.00	2.64	0.00	2.64	2.46
Supplies and Other Services	0.04	2.30	8.97	2.42	0.00	0.05	13.78	15.01
Power, light & water	6.32	0.32	0.35	0.23	0.03	0.02	7.27	9.49
Transport Charges	0.01	2.33	0.00	0.00	0.00	0.00	2.34	2.64
Rent, Rates, Taxes and Insurance	1.55	0.52	0.00	0.00	0.00	0.00	2.07	2.26
Maintenance and repairs	1.26	0.33	0.12	0.01	0.01	0.36	2.09	1.82
Depreciation - Buildings	0.23	0.00	0.02	0.05	0.05	0.00	0.35	0.40
Depreciation - Plant, Machinery, Equipment & Vehicles	0.12	0.05	0.01	0.01	0.02	0.00	0.21	0.15
General Overheads	0.01	0.05	0.06	0.05	0.00	0.00	0.17	0.20
	12.32	10.07	15.23	5.31	2.95	0.89	46.77	51.24
LESS :								
Recoveries/adjustments								
Rent	10.01	0.00	0.00	0.00	0.00	0.00	10.01	7.50
Power, Light & Water	1.14	0.00	0.00	0.00	0.00	0.00	1.14	1.01
Transport Charges	0.00	0.24	0.00	0.00	0.00	0.00	0.24	0.28
Capitation & other Recoveries	0.00	0.00	0.60	0.00	0.00	0.00	0.60	0.76
Sales proceeds	0.00	0.00	0.00	0.33	0.06	0.00	0.39	0.36
Indirect expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Allocated to Township, Medical & office use	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	11.15	0.24	0.60	0.33	0.06	0.00	12.38	9.91
Net Expenditure	1.17	9.83	14.63	4.98	2.89	0.89	34.39	41.33
Interest on Capital outlay notional	1.29	0.39	0.30	0.24	0.16	0.01	2.39	2.69
TOTAL EXPENDITURE	2.46	10.22	14.93	5.22	3.05	0.90	36.78	44.02
Previous Year	7.82	9.97	15.54	6.48	3.08	1.13	44.02	45.83

CASH FLOW STATEMENT FOR THE YEAR 2012-13

` in Lakhs

		FOR THE YEAR ENDED 31st MARCH 2013		FOR THE YEAR ENDED 31st MARCH 2012	
(A)	CASH FLOW FROM OPERATING ACTIVITIES:				
	NET PROFIT BEFORE TAX		(18205.99)		(36979.91)
	ADJUSTMENT FOR:				
	DEPRECIATION	1832.43		2130.31	
	FINANCING CHARGES	8925.38		8524.77	
	PROFIT ON SALE OF INVESTMENTS	0.00		0.00	
	INTEREST/DIVIDEND RECEIVED	(51.47)		(175.35)	
	LOSS ON SALE OF ASSET	0.00		0.00	
	PROFIT ON SALE OF ASSET	(1.02)		(55.16)	
	TRANSFER FROM GRANT-IN-AID	(471.73)		(492.23)	
	TRANSFER FROM GRANT-IN-AID(Prior period adj.)	(4720.49)		-	
	NON-CASH EXPENDITURE	1262.56	6775.66	909.66	10842.00
	OPERATING CASH PROFIT		(11430.33)		(26137.91)
	BEFORE WORKING CAPITAL CHANGES				
	ADJUSTMENT FOR:				
	TRADE AND OTHER RECEIVABLES	16976.49		70940.15	
	INVENTORIES	766.70		147.15	
	TRADE PAYABLES	(10718.30)		(57697.49)	
	DIRECT TAXES PAID	(87.83)	6937.06	(51.41)	13338.40
	CASH GENERATED FROM OPERATIONS		(4493.27)		(12799.51)
	CASH FLOW BEFORE EXTRAORDINARY ITEMS		(4493.27)		(12799.51)
	EXTRAORDINARY ITEMS		13000.00		0.00
	NET CASH FROM OPERATING ACTIVITIES [A]		(17493.27)		(12799.51)
(B)	CASH FLOW FROM INVESTING ACTIVITIES:				
	PURCHASE OF FIXED ASSETS INCLUDING				
	CAPITAL WORK-IN-PROGRESS	(354.91)		(355.62)	
	SALE OF FIXED ASSETS	1.02		55.16	
	INVESTMENTS	0.00		0.00	
	INTEREST RECEIVED	51.47		175.35	
	NET CASH USED IN INVESTING ACTIVITIES **[B]**		(302.42)		(125.11)

` in Lakhs

		FOR THE YEAR ENDED 31st MARCH 2013		FOR THE YEAR ENDED 31st MARCH 2012	
(C)	CASH FLOW FROM FINANCING ACTIVITIES				
	PROCEEDS FROM LONG TERM BORROWINGS	12282.64		14195.52	
	GRANT-IN-AID RECEIVED	14000.00		10.49	
	FINANCING EXPENSES	(8925.38)		(8524.77)	
	NET CASH USED IN FINANCING ACTIVITIES [C]		17357.26		5681.24
	NET INCREASE IN CASH AND CASH EQUIVALENTS	**[A+B+C]**	(438.43)		(7243.38)
	CASH AND CASH EQUIVALENTS AS AT 01-04-2012 **[OPENING BALANCE]**		2125.86		9369.24
	CASH AND CASH EQUIVALENTS AS AT 31-03-2013 **[CLOSING BALANCE]**		1687.43		2125.86

NOTE: PREVIOUS YEAR FIGURES HAVE BEEN REGROUPED WHEREVER NECESSARY TO CONFORM TO THIS YEAR'S CLASSIFICATIONS.

Sd/-
K.T. MAYURANATHAN
Company Secretary

Sd/-
R.K.AGARWAL
Director – Marketing &
Addl. Charge of
Director Finance

Sd/-
K.L. DHINGRA
Chairman and Managing Director

As Per our report of even date
For **BADARI, MADHUSUDHAN & SRINIVASAN**
Chartered Accountants

Sd/-
T.V. SUDARSHAN
Partner
M. No. 019108
FRN: 005389S

Place: Bangalore
Date: 29/05/2013

Independent Auditor's Report

To the members of ITI limited

Report on the financial statements

We have audited the accompanying financial statements of ITI Limited("the Company") which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit & Loss and the Cash flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, in which are incorporated the financial statements of Corporate Office, Bangalore Plant, NS Unit and RO Bangalore audited by us, five Units audited by the respective Unit Auditors appointed by the Comptroller & Auditor General of India and that of NS units at New Delhi & Kolkata and seven other ROs as certified by the Management.

Management's responsibility for the financial statements

Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flow of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956(the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on Auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view and are in conformity with the accounting principles generally accepted in India, subject to:

Qualifications not quantifiable

(a) Our comments relating to adequacy of provision and realisable value of the inventories and trade receivables in paras 4.(ii) & (iii) of Annexure to this report containing a statement on the matters specified in paragraphs 4 and 5 of the Companies(Auditor's Report) Order, 2003;

(b) Investment of ` 40.55 lakhs in the unquoted equity shares of a Company being continued to be shown at cost, though the Company remains closed and impairment loss having not been ascertained and provided for(Refer Significant Accounting Policies 5.00 and Note No.17);

(c) Pending approval from the Government of India for the lease terms and finalization of the lease terms & agreement, rental on lease of land to the Bangalore Metropolitan Transport Corporation(BMTC)(of the 12.15 acres to be leased, 8.22 acres of land is already in possession of the BMTC), not recognised as income. ` 285.00 lakhs received earlier from the BMTC is held under deposits(Refer Note 40.17);

(d) Non provision of interest payable on royalty to C-DoT (Refer Note No. 35) in view of rental dues from the same agency for the premises taken on rent from the Company being more than the royalty amount (Refer Note No. 40.21);

(e) Interest and penalty, if any, leviable for non remittance of statutory dues on sales accounted on provisional basis (tax incidence on such sales not recognized) and delayed/short remittance of other statutory dues as also non deduction of TDS as per the provisions of Income Tax Act, 1961;

Qualifications quantifiable

(a) Non provision of ` 6897.31 lakhs towards claims doubtful of recovery comprising of (i) rent of ` 5847.90 lakhs for a leased premises up to 31.3.2011, rent from 1.4.2011 for the same premises being deferred for recognition on accrual basis due to uncertainty of realization(Refer Note No. 21); (ii) liquidated damages of ` 1049.41 lakhs on a supplier, rejected by the Arbitral Tribunal. Had the said amounts been provided in the accounts, loss for the year would have been higher by ` 6897.31 lakhs and consequently reserves & surplus and current assets would be lower by similar amount,

a) In the case of Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

b) In the case of Statement of Profit and Loss, of the loss for the year ended on that date;

c) In the case of Cash flow Statement, of cash flows for the year ended on that date.

Emphasis of matter

On the following Notes on financial statements, without qualifying our opinion, we draw attention of members:

(a) Cumulative Redeemable Preference Shares amounting to ` 30000.00 lakhs overdue for redemption continued to be shown under Share Capital since the redemption is part of the BIFR package envisaged for the Company (Refer Note No. 1);

(b) Dues to micro, small and medium enterprises being disclosed to the extent to which such enterprises are identified by the Company (Refer Note No. 10);

(c) Pendency of formal conveyance/lease deeds in respect of lands, except part of lands at Bangalore and Mankapur, by the respective State Governments (Refer Note No. 13);

(d) Change in the Significant Accounting Policy for Revenue Recognition under sales in the year - a) Sales include Excise Duty & Service Tax and excludes Sales Tax(Refer Significant Accounting Policies 10.00 (a) and Note No. 27) as against Excise Duty only in the earlier years resulting in higher gross sales turnover of ` 7406.29 lakhs (` 7102.54 lakhs). However, the change has no effect on the net revenue from operations and loss for the year;

(e) Sales accounted on provisional basis/prices for supply of various equipments and variation, if any, being accounted on determination of final prices(Refer Significant Accounting Policies 10.00 (d) and Note No. 27);

(f) Necessary accounting adjustments for acquisition of 1.375 acres of land by the National Highway Authority of India (NHAI) for public purposes to be made on receipt of compensation, with proportionate cost of the acquired land having been withdrawn from the fixed assets and held as claims recoverable(Refer Note No. 40.18);

(g) Wage arrears of ` 16500.00 lakhs to the employees arising as per the Presidential directives and Tripartite agreement on wage settlement with the employees for the period 1/1/1997 to 31/03/2000 having not been provided in view of the same having to be paid by the Company in a phased manner on the improvement of profitability position and on declaration of the Company by the BIFR as a Sick Company and conditions for payment of arrears being not prevalent (Refer Note No. 40.3);

(h) Balances in the accounts of creditors, advances from customers, debtors, claims recoverable, loans & advances, materials with fabricators, sub contractors/others, material in transit, deposits, loans and other payables/receivables such as Sales Tax, VAT, Excise Duty, CENVAT, Service Tax, TDS etc., being under confirmation/ reconciliation(Refer Note 40.4);

(i) Penalty of ` 2685 Lakhs for non payment of guarantee fee to the Government of India, having not been provided for, since the Ministry of Communications and IT has agreed in principle to waive the same as part of Company revival package(Refer Note No. 40.10);

(j) Land measuring 5 acres being used by Karnataka Power Transmission Corporation Limited (KPTCL)(Refer Note 40.19).

Report on Other Legal and Regulatory Requirements

1. As required by the Companies(Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. As required by Section 227 (3) of the Act, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   e) Provisions of Section 274(1)(g) of the Companies Act, 1956 is not applicable to a Government Company. Hence, reporting on any Director being disqualified to be appointed as a Director under Section 274(1)(g) of the Companies Act, 1956 does not arise.

For **BADARI, MADHUSUDHAN & SRINIVASAN**
CHARTERED ACCOUNTANTS

Sd/-
(T.V. SUDARSHAN)
PARTNER
M. No. 019108
FRN: 005389S

Place: Bangalore
Date: 29.05.2013

Annexure to the Auditors' Report

(Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date)

1. In respect of fixed assets

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information other than at Bangalore Plant where the records are to be updated in relation to situation and adjustment for revaluation.

(b) According to the information and explanations given to us, fixed assets have been physically verified by the management other than at the Bangalore Plant and no material discrepancies were noticed on such verification. At the Bangalore Plant, continuous verification system is said to have been followed. However, documentation does not support comparison of the extent of verification to the total assets and book balance to physical balance, resulting in inability to comment on the reasonableness of the intervals of verification, materiality of discrepancies, if any, and whether the same has been dealt with appropriately in the books.

(c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year to affect the going concern status.

2. In respect of inventories

(a) According to the information and explanations given to us, inventories(excluding those with third parties) have been physically verified by the management at reasonable intervals other than at Bangalore Plant where perpetual inventory system verification has been followed. However, documentation does not support assessment of the reasonableness of the intervals of verification.

(b) In our opinion and according to information and explanations given to us, the procedure for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business other than at Bangalore Plant wherein documentation does not support comparison to the extent of physical verification to the total inventory as also examination of the adequacy of the system of verification followed.

(c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification of the inventory other than at Bangalore Plant wherein documentation does not support comparison of physical balance with book balance resulting in inability to comment on the materiality of discrepancies, if any and whether the same has been dealt with appropriately in the books.

3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured/unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, comments on clauses (iii)(b) to (d) and (f) to (g) of paragraph 4 of the Order do not arise.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods & services except for the following areas, wherein internal control systems need to be considerably strengthened, to address weaknesses, continuing or otherwise, therein:

(i) Inadequacies in relation to maintenance of fixed asset records, systems of physical verification of fixed assets & inventory, ascertaining discrepancies as also their materiality and proper treatment of the discrepancies as observed in paras 1 & 2 above;

(ii) Aggregate inventories as at 31.3.2013 were ` 13866.29 lakhs against which provision of ` 3375.58 lakhs is held towards non-moving and obsolescence(net inventory ` 10490.71 lakhs). In view of Company's production activities having come down substantially and slow movement in the inventory, there is a need for systematic age wise segregation and analysis of the items comprised in the inventory to assess their usefulness/usability in the production & servicing activities, period over which they could be used as also whether the inventory items are capable of being sold/disposed off as standalone items. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards non moving and obsolete inventories and the eventual realizable amount in respect of the inventories, as also the possible effect on the financial statements.

(iii) In relation to sale of goods & services, scope for improvement in the accounting for contact revenues as also monitoring and recovery of the high level of trade receivables of ` 413623.42 lakhs as at 31.3.2013 in relation to gross sales turnover of ` 92199.80 lakhs in 2012-13, including timely adjustment of the advances received from the customers, in the absence of which correct position of trade receivables is not arrived at. Against aggregate receivables of ` 413623.42 lakhs(of which ` 272716.91 lakhs are long term), provision held towards doubtful receivables is ` 6891.08 lakhs(of which ` 4332.91 lakhs is for long term receivables) and Company follows the practice of making provision for doubtful receivables on a case to case basis(Refer Significant Accounting Policies 17.00). There is a need for systematic age wise segregation, analysis, adjustment of advances received from the customers and reconciliation of the trade receivable accounts. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards doubtful debts and the eventual realizable amount in respect of the trade receivables, as also the possible effect on the financial statements.

5. According to the information and explanations given to us, the Company has no transactions that need to be entered in the register to be maintained as per Section 301 of the Companies Act, 1956. Consequently, comment on clause (v)(b) of paragraph 4 of the Order does not arise.

6. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and Rules framed there under. In respect of deposits accepted in the past while the deposit scheme was in, repayment of matured deposits aggregating ` 23.85 lakhs (to check the amount) to the depositors is pending on account of orders/ directions of the Judicial Authority for non refund and consequently money is not deposited in the Investors Education & Protection Fund.

7. The Company has an Internal Audit System, implemented through the in-house Internal Audit Department, which in our opinion requires further strengthening with respect to personnel, scope of the audit, reporting and systematic follow up to make it commensurate with the nature of business and size of the Company.

8. Maintenance of cost records by the Company has been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and on a broad review of the books/ records, we are of the opinion that prima facie, the prescribed cost records have been maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate and complete.

9. (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund other than ` 6768.00 lakhs pertaining to Naini and Rae Bareli units, Employees State Insurance, Sales Tax & Service Tax other than on sales set up on provisional basis in respect of which tax incidence is not recognised & accounted, Customs Duty, Excise Duty, Cess and other statutory dues. According to the information and explanations given to us, other than to the extent indicated above, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31.3.2013 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, disputed statutory dues aggregating ` 6380.22 lakhs have not been deposited on account of disputed matters pending before the appropriate authorities as under:

(` in lakhs)

Sl. No.	Name of the statute	Nature of dues	Amount	Period to which the dispute relates	Forum where the dispute is pending
1	Central Excise Act, 1944	ED demanded on R & D prototype modules for field trial is correct or not?	329.00	2006-07	Central Excise & Service Tax Appellate Tribunal
2		Nil rate of duty availed on software disputed by the CE Dept.	511.31	2001-03	
3		Dispatches of Software(CNMS & DCME)	7.40	2007-08	
4		CENVAT credit availed on import of IFWT and Power Supply Units, denied by the CE Dept	376.14	2007	
5		110/115% demanded on transfer of purchased items to sister units	108.24	2007	
6		ED demanded on insurance, freight and amount of credit notes.	71.55	2007	
7		CENVAT credit availed on scrap and write off cases disallowed	15.75	2005	
8		Nil rate of duty availed on Software disputed by CE dept	637.00	2003-05	
9	UP VAT	Sales Tax	264.89	1986-89	UP Government
10		Sales Tax	15.32	1989-95	Committee Formed by UP Govt as directed by the High Court
11		Sales Tax	158.12	1987-89 1991-93 2000-02	Lucknow Bench of Allahabad High Court

12		Sales Tax	160.06	1987-89 1994-95 2006-07 2008-10	Additional Court(Appeals) Sales Tax, Gonda
13		Sales Tax	268.36	2000-02 2003-04	Trade Tax Tribunal, Lucknow
14		Sales Tax/Entry Tax	466.27	1998-99 2000-08	Additional Commissioner Appeal, Lucknow
15		Sales Tax	0.93	2000-01	Deputy Commissioner, Rae Bareli
16	Central Sales Tax, 1956	Demand of Additional Tax against Form C	1013.98	2005-06	Addl Commissioner, Appeals Commercial Tax, Allahabad
17			464.81	2006-07	
18			50.26	2007-08	
19			298.10	2006-07	
20		Sales Tax	97.70	2006-07	DC(Appeals) Ernakulam
21	Central Excise, 1944	Excise duty	91.65	2004-05	Central Excise & Service Tax Appellate Tribunal
22		Excise duty	68.07	2001-02	Commissioner (Appeals), Kochi
23		Excise duty	5.15	2002-03	
24		Service Tax	109.44	2010-11	Show cause notice by CCE, Calicut
25		Provision for obsolescence	52.28	2011-12	
26		Service Tax	4.44	2011-12	
27	Karnataka Municipali-ties Act, 1964	Demand for higher rate of property tax	734.00	2008-09 to 2011-12	High Court of Karnataka
		Total	**6380.22**		

10. The accumulated loss of the Company as at 31.03.2013 was not less than fifty percent of its net worth. The Company has incurred cash loss in the financial year under audit and in the immediately preceding financial year.

11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to Banks. An amount of ` 210.00 lakhs with interest of ` 18.00 lakhs is due to a debenture holder (debentures issued in March 2004 being redeemable at par in March 2009 & having been redeemed except this debenture holder), on account of the debenture holder not agreeing for the one time settlement(OTS) offered by the Company and filing a suit against the Government of India(GoI), as the debentures were backed by GoI guarantee. Debenture holder is said to have since approached the Company for OTS(Refer Note No. 11). There are no dues to financial institutions.

12. According to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Consequently, comment on clause (xii) of paragraph 4 of the Order does not arise.

13. The Company is not a chit fund company, nidhi, mutual benefit fund/society. Consequently, comments on clauses (xiii)(a) to (d) of paragraph 4 of the Order do not arise.

14. The Company is not dealing or trading in shares, securities, debentures and other investments. Consequently, comment on clause (xiv) of paragraph 4 of the Order does not arise.

15. According to the information and explanation given to us, the Company has not given guarantees for loans taken by others from Banks or financial institutions. Consequently, comment on clause (xv) of paragraph 4 of the Order does not arise.

16. According to information and explanations given to us, the Company has not availed any term loan during the year. Consequently, comment on clause (xvi) of paragraph 4 of the Order does not arise.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that no funds raised on short term basis have been used for long term investment.

18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, comment on clause (xviii) of paragraph 4 of the Order does not arise.

19. The Company has created security and charge in respect of debentures issued in March 2004, due for redemption at par in March 2009 and having been redeemed except for ` 210.00 lakhs in respect of one debenture holder(Refer Note No. 11 and para 11 above).

20. The Company has not raised money by way of public issue during the year. Consequently, comment on clause (xx) of paragraph 4 of the Order does not arise.

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, as also the audit procedures performed and according to the information and explanations given to us, to the best of our knowledge and belief, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **BADARI, MADHUSUDHAN & SRINIVASAN**
CHARTERED ACCOUNTANTS

Sd/-
(T.V. SUDARSHAN)
PARTNER
M. No. 019108
FRN: 005389S

Place: Bangalore
Date: 29.05.2013

Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the annual accounts of ITI Limited for the year ended 31 March 2013.

The preparation of financial statements of ITI Limited, for the year ended 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of Company. The Statutory Auditors appointed by the Comptroller & Auditor General of India under Section 619(2) of the Companies Act,1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 May 2013.

I, on behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of ITI Limited for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to enquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

A. Comment on Balance Sheet

Assets
Current Assets
Short term loans and Advances (Note No.25) Claims and expenses recoverable
Inland – ` 146.87 Crore
Considered Good – `140.08 Crore

(1) Above is overstated by `5847.90 lakh, due to non-provisioning of rentals pertaining to the period from 2005-06 to 2010-11, receivable from C DoT. Uncertainty in respect of collection of rentals for the year 2011-12 and 2012-13 has been recognized by the Company. Statutory Auditor has also qualified and quantified his opinion in Independent Auditor's Report. The last year company gave a assurance for taking appropriate action in the year 2012-13 with regard to rentals pertaining to earlier years. The company did not carry out its assurance resulting in overstatement of Claims and Expenses Recoverable-Inland (Note No.25) and understatement of Provision for debtors/advances (Other expenditure-Note No.35). The loss for the year is correspondingly understated by `5847.90 lakh.

B. On Independent Auditor's Report

Annexure to the Auditor's Report
Para 1 (b) : In respect of Fixed Assets

The qualification is deficient to the extent that it does not indicate that physical verification of Network System unit of the Company was also not carried out. Further, the Company does not have stated policy on physical verification of its fixed assets.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-
(R.B.Sinha)
Director General of Audit (P&T)

Place : Delhi
Date : 4th September 2013

ADDENDUM TO THE DIRECTORS' REPORT

Company's reply to the comments of Comptroller and Auditor General of India

Comments of C & AG	Company's Reply
A. Comment on Balance Sheet Assets Current Assets Short term loans and Advances (Note No.25) Claims and expenses recoverable Inland – ` 146.87 Crore Considered Good – ` 140.08 crore	
(1) Above is overstated by ` 5847.90 lakh, due to non-provisioning of rentals pertaining to the period from 2005-06 to 2010-11, receivable from C DoT. Uncertainty in respect of collection of rentals for the year 2011-12 and 2012-13 has been recognized by the Company. Statutory Auditor has also qualified and quantified his opinion in Independent Auditor's Report. The last year company gave a assurance for taking appropriate action in the year 2012-13 with regard to rentals pertaining to earlier years. The company did not carry out its assurance resulting in overstatement of Claims and Expenses Recoverable-Inland (Note No.25) and understatement of Provision for debtors/ advances (Other expenditure-Note No.35). The loss for the year is correspondingly understated by ` 5847.90 lakh.	Since the matter relating to realization of rentals of ` 5847.90 lakhs is still being discussed with C-DoT and the Govt. of India and a decision is yet to be arrived finally, Company is of the view that time is not yet ripe to take a final call in relation to reversal/ provision for the amount.
B. On Independent Auditor's Report Annexure to the Auditor's Report Para 1 (b) : In respect of Fixed Assets The qualification is deficient to the extent that it does not indicate that physical verification of Network System unit of the Company was also not carried out. Further, the Company does not have stated policy on physical verification of its fixed assets.	Considering that the gross & net block of NS Plant constitute a very small share in the gross and net block for the Company as a whole (0.50% and 0.04% respectively) and also NS Plant assets being almost depreciated to the extent of 95%, keeping in view the materiality concept, specific reference to Network System Unit has not been made in the audit report.

ATTENDANCE SLIP

ITI LIMITED
REGISTERED & CORPORATE OFFICE
ITI BHAVAN, DOORVANINAGAR : BANGALORE – 560 016

I hereby record my presence at the 63rd Annual General Meeting held on Friday, the 27th September, 2013 at 11.30 a.m. at BANGALORE TAMIL SANGAM, No. 59, Annaswamy Mudaliar Road, Bangalore-560 042.

Name :

Folio No. / Client ID No. :

No. of Shares :
Address :

Member's/Proxy's Signature

...............CUT HERE...............

PROXY FORM

ITI LIMITED
REGISTERED & CORPORATE OFFICE
ITI BHAVAN, DOORVANINAGAR : BANGALORE – 560 016

We__________________________ of ____________ being a Member / Members of ITI Ltd., hereby appoint ______________ of ________________or failing him ________________ of ____________________ or failing him ______________ of ____________________ as my/ our proxy to vote for me /us and on my/our behalf at the 63rd Annual General Meeting of the Company to be held on Friday, the 27th September 2013 at 11.30 a.m. and at any adjournment thereof.

Dated this ____________ day of ______________ 2013.

For office use only
Proxy No. :
Re Reg. Folio No./ :
Cl Client ID No. :
No No. of Shares :

Affix
1 Rupee
Revenue
Stamp

Notes:
1. The form should be signed across the stamp as per specimen signature registered with the Company.
2. The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
3. A Proxy need not be a Member.

IN RETROSPECT

PSU Heads Meets Prime Minister Dr. Manmohan Singh

The Prime Minister, Dr. Manmohan Singh in a group photograph with the Heads of Central Public Sector Enterprises, in New Delhi on October 23, 2012. At the time of first ever interaction with the CMD's of PSU's. The Union Finance Minister, Shri P. Chidambaram, the Union Minister for Heavy Industries and Public Enterprises, Shri Praful Patel, the Deputy Chairman, Planning Commission, Shri Montek Singh Ahluwalia and The Minister of State for Personnel, Public Grievances & Pensions and Prime Minister's Office, Shri V. Narayanasamy and Shri K. L. Dhingra, Chairman & Managing Director , ITI Ltd. and Vice-Chairman of SCOPE (standing in the first line from top second from left).

ITI MoU Concentrates on Revival Plans

Shri R Chandrasekhar, Secretary, DoT and Chairman, Telecom Commission and Shri K.L.Dhingra, Chairman and Managing director, ITI Ltd, signing MoU in New Delhi.

Secretary DPE Visits ITI

Shri O.P.Rawat, Secretary, D.P.E, Ministry of Heavy Industries and Public Enterprises, GoI has visited to "Snehalaya" along with Shri K.L.Dhingra, CMD and other senior officers of the company. "Snehalaya" is a School for differently abled Children are studying under ITI Management. Head Misses Smt. Shashikala explained the education process, extra cultural and curriculum activities of the students. Shri O.P.Rawat distributed sweets to all the students.

ITI participated in India Telecom-2012 Exhibition

ITI participated in India Telecom-2012 Exhibition which was held at Pragathi Maidan, New Delhi from 13th to 15th December 2012. Shri Milind Deora, Hon'ble Minister of State for Communications and Information Technology, inaugurated ITI stall No. 18 , in the presence of Shri Kapil Sibal, Hon'ble Union Minister for Communications and Information Technology and Shri R. Chandrasekhar, Secretary, DoT along with our Company Director Production Shri K.K. Gupta.

ITI Limited participated in DEFCOM India 2012 Exhibition

ITI Limited participated in DEFCOM India 2012 Exhibition held during 8th to 9th November, 2012 at Manekshaw Centre, Delhi. After the inaugural ceremony on 8th November 2012 which was addressed by the Hon'ble Minister of Defence, a very high level team led by Gen. Bikram Singh, PVSM, UYSM, AVSM, SM, VSM, ADC, COAS, Lt. Gen. S.P. Kochar, AVSM, SM, VSM, ADC, SO-in-C, Maj. Gen. Johar, ADG-TAC, Maj Gen Mehra, ADG-T, Brig. A. Umar Farooq, Commander 5 Sig., Maj Gen V.P. Srivastava, HQ.-IDS, Shri V.V.R. Sastry, Executive Director of CDOT and other top Army officials had a brief visit of the stalls exhibited. The team was received by our CMD, Shri K.L. Dhingra and Director Marketing, Shri R.K. Agarwal at ITI stall. CMD briefed the team about on-going activities of ITI.

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ITI LIMITED

Total Solutions for Global Communications

Registered & Corporate Office: ITI Bhavan, Doorvaninagar, Bangalore-560 016, Karnataka, India.
Ph.: +91(80) 25614466, Fax: +91 (80) 2561 7525. Website: http://www.itiltd-india.com

print@paramountcolor.com, Ph.: 23100666

FORM B

Format of covering letter of the annual audit report to be filed with the Stock Exchanges

1.	Name of the Company	ITI Ltd.
2.	Annual financial statements for the year ended	31^{st} March 2013
3.	Type of Audit qualification	Subject to
4.	Frequency of qualification	First time / repetitive as per Annexure A.
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the Directors Report:	Drawal of attention to notes in the Annual Financial Statements as per Annexure B. Management response to qualifications in the Auditors Report, forming part of the Directors Report as per Annexure A.
6.	Additional comments from the Board / Audit Committee chair :	As per Annexure A

T.V.SUDARSHAN
Partner
M.No.019108

R.K.AGARWAL
Director Mktg. &
Addl. Charge of
Director -Finance

RAMESH BHAT
Chairman Audit Committee

K.L.DHINGRA
Chairman & Managing Director

Badari, Madhusudhan & Srinivasan
Chartered Accountants & Statutory Auditors
FRN005389S

Annexure A

ITI Limited 2012-13

Audit Qualifications & Company's Response to the Audit Qualifications

Point No.	Statutory Auditors Observations	Company's Remarks	Frequency
Qualifications not quantifiable (a) & 4(ii)	Aggregate inventories as at 31.3.2013 were Rs 13866.29 lakhs against which provision of Rs 3375.58 lakhs is held towards non-moving and obsolescence (net inventory Rs 10490.71 lakhs). In view of Company's production activities having come down substantially and slow movement in the inventory, there is a need for systematic age wise segregation and analysis of the items comprised in the inventory to assess their usefulness/usability in the production & servicing activities, period over which they could be used as also whether the inventory items are capable of being sold/disposed off as standalone items. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards non moving and obsolete inventories and the eventual realizable amount in respect of the inventories, as also the possible effect on the financial statements	Provision for inventory is made on case to case basis after a review by a technical committee in each unit and then approved by the Board of Directors. The inventory has been reviewed and the existing provision is found to be adequate.	Repetitive-Fourth time
(a) & 4(iii)	In relation to sale of goods & services, scope for improvement in the accounting for contact revenues as also monitoring and recovery of the high level of trade receivables of Rs 413623.42 lakhs as at 31.3.2013 in relation to gross sales turnover of Rs 92199.80 lakhs in 2012-13), including timely adjustment of the advances received from the customers, in the absence of which correct position of trade receivables is not arrived at. Against aggregate receivables of Rs 413623.42 lakhs(of which Rs 272716.91 lakhs are long term), provision held towards doubtful receivables is Rs 6891.08 lakhs(of which Rs 4332.91 lakhs is for long term receivables) and Company follows the practice of making provision for doubtful receivables on a case to case basis(Refer Significant Accounting Policies 17.00). There is a need for systematic age wise segregation, analysis, adjustment of advances received from the customers and reconciliation of the trade receivable accounts. Pending such an exercise, we are unable to express an opinion as to the adequacy of the provision held towards doubtful debts and the eventual realizable amount in respect of the trade receivables, as also the possible effect on the financial statements.	As per our Accounting policy, provision for doubtful debts is being made after review on case to case basis. The existing provision is found to be adequate. Efforts are being made to adjust the outstanding advances against the debtors.	Repetitive-Third time
(b)	Investment of Rs 40.55 lakhs in the unquoted equity shares of a Company being continued to be shown at cost, though the Company remains closed and impairment loss having not been ascertained and provided for(Refer Significant Accounting Policies 5.00 and Note No.17);	The investment of Rs.40.55 lakhs is in M/s ISL, a joint venture company. The asset (Land), which has been revalued by the SBI Panel valuer carries a value very much more than the cost of the investment. Hence, the investment of Rs 40.55 lakhs has been shown at cost.	First time

SRINIVASAN & BADARI MADHUSUDHAN CHARTERED ACCOUNTANTS BANGALORE

	Pending approval from the Government of India for the lease terms and finalization of the lease terms & agreement, rental on lease of land to the Bangalore Metropolitan Transport Corporation(BMTC)(of the 12.15 acres to be leased, 8.22 acres of land is already in possession of the BMTC), not recognised as income. Rs 285.00 lakhs received earlier from the BMTC is held under deposits(Refer Note 40.17);	The case has been referred to DoT to get approval for leasing the property to BMTC.	First time
(d)	Non provision of interest payable on royalty to C-DoT((Refer Note No. 35) in view of rental dues from the same agency for the premises taken on rent from the Company being more than the royalty amount((Refer Note No. 40.21);	Interest on royalty payable to C-DoT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time from C-Do T on account of rent payable for the Company's premises leased out to them.	Repetitive - Fifth time
(e)	Interest and penalty, if any, leviable for non remittance of statutory dues on sales accounted on provisional basis(tax incidence on such sales not recognized) and delayed/short remittance of other statutory dues as also non deduction of TDS as per the provisions of Income Tax Act, 1961;	All known liabilities have been accounted for. There are no cases of non-deduction of TDS to the best of our knowledge.	Repetitive - more than 5 years
Qualifications quantifiable (a)	Non provision of Rs 6897.31 lakhs towards claims doubtful of recovery comprising of (i) rent of Rs 5847.90 lakhs for a leased premises up to 31.3.2011, rent from 1.4.2011 for the same premises being deferred for recognition on accrual basis due to uncertainty of realization (Refer Note No. 21); (ii) liquidated damages of Rs 1049.41 lakhs on a supplier, rejected by the Arbitral Tribunal. Had the said amounts been provided in the accounts, loss for the year would have been higher by Rs 6897.31 lakhs and consequently reserves & surplus and current assets would be lower by similar amount,	As regards rent from C-DoT, the subject is being discussed at the highest levels in the Government of India. Company is of the view that provision for Rs 5847.90 lakhs at this juncture is not required till the issue is finally settled. As regards LD of Rs. 1049.41 lakhs, the matter is in the Court. After the Court's verdict, suitable action will be taken .Till then, it is felt that no provision is required to be made.	First time First time

SRINIVASAN ✶ BADARI MADHUSUDHAN & CHARTERED ACCOUNTANTS BANGALORE

DHM.CF

Annexure B

ITI Limited 2012-13

Drawal of attention in the Audit Report to notes in the Annual Financial Statements

On the following Notes on financial statements, without qualifying our opinion, we draw attention of members:

(a) Cumulative Redeemable Preference Shares amounting to Rs 30000.00 lakhs overdue for redemption continued to be shown under Share Capital since the redemption is part of the BIFR package envisaged for the Company(Refer Note No. 1);

(b) Dues to micro, small and medium enterprises being disclosed to the extent to which such enterprises are identified by the Company(Refer Note No. 10);

(c) Pendency of formal conveyance/lease deeds in respect of lands, excepting part of lands at Bangalore and Mankapur, by the respective State Governments(Refer Note No. 13);

(d) Change in the Significant Accounting Policy for Revenue Recognition under sales in the year - a) Sales include Excise Duty & Service Tax and excludes Sales Tax(Refer Significant Accounting Policies 10.00 a) and Note No. 27) as against Excise Duty only in the earlier years resulting in higher gross sales turnover of Rs 7406.29 lakhs(Rs 7102.54 lakhs). However, the change has no effect on the net revenue from operations and loss for the year;

(e) Sales accounted on provisional basis/prices for supply of various equipments and variation, if any, being accounted on determination of final prices(Refer Significant Accounting Policies 10.00 d) and Note No. 27);

(f) Necessary accounting adjustments for acquisition of 1.375 acres of land by the National Highway Authority of India (NHAI) for public purposes to be made on receipt of compensation, with proportionate cost of the acquired land having been withdrawn from the fixed assets and held as claims recoverable(Refer Note No. 40.18);

(g) Wage arrears of Rs 16500.00 lakhs to the employees arising as per the Presidential directives and Tripartite agreement on wage settlement with the employees for the period 1.1.1997 to 31.3.2000 having not been provided in view of the same having to be paid by the Company in a phased manner on the improvement of profitability position and on declaration of the Company by the BIFR as a Sick Company and conditions for payment of arrears being not prevalent(Refer Note No. 40.3);

(h) Balances in the accounts of creditors, advances from customers, debtors, claims recoverable, loans & advances, materials with fabricators, sub contractors/others, material in transit, deposits, loans and other payables/receivables such as Sales Tax, VAT, Excise Duty, CENVAT, Service Tax, TDS etc., being under confirmation/reconciliation(Refer Note 40.4);

SRINIVASAN & MADHUSUDHAN CHARTERED ACCOUNTANTS

(i) Penalty of Rs 2685 Lakhs for non payment of guarantee fee to the Government of India, having not been provided for, since the Ministry of Communications and IT has agreed in principle to waive the same as part of Company revival package(Refer Note No. 40.10);

(j) Land measuring 5 acres being used by Karnataka Power Transmission Corporation Limited (KPTCL)(Refer Note 40.19).

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