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INFORMATION MEMORANDUM



ITI LIMITED

(A Government of India Enterprise)

Regd. Office: ITI Bhavan, Doorvaninagar, Bangalore – 560 016

Tel No. 080-25617521 Fax: 080-25618295

Email: nagarajm_crp@itilttd.co.in

Website: www.itilttd-india.com

ISSUE OF 550 SECURED NON CONVERTIBLE REDEEMABLE TAXABLE BONDS OF Rs. 10 LAKHS EACH FOR CASH AT PAR AGGREGATING Rs. 55 CRORE ON PRIVATE PLACEMENT BASIS TO THE ELIGIBLE INVESTORS.

GENERAL RISKS:

Investors are advised to read the Risk Factors carefully before taking an investment decision in this offering. For taking an investment decision, the investor must rely on their own examination of the Issuer and the offer including the risk involved. The Bonds have not been recommended or approved by the The Stock Exchange of India, Mumbai (BSE) nor does BSE guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the Risk Factors detailed on page of the Information Memorandum.

ISSUER’S ABSOLUTE RESPONSIBILITY: The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Information Memorandum contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Credit Rating: FITCH ‘AAA(Ind)(SO)’

Fitch Ratings India Pvt Ltd, has assigned an a ‘AAA(Ind)(SO)’ [Triple A (Ind)(Structured Obligation) to the Rs. 500 mn Series I and Rs. 1500 mn Series J Long-term bond Programme of ITI Ltd guaranteed by the Government of India.

Affirmation letter for this issue of ‘J-1’ series bonds will be added as addendum before the issue opens.

For details of the above rating definitions, the investors are investors are advised to refer Para on ‘Credit Rating’ in the offer document. The Rating(s) are not a recommendation to buy, sell or hold securities and Investors should take their own decisions. The rating may be subject to revision or withdrawal at any time by the assigning Rating Agency on the basis of new information. Each rating should be evaluated independently of any other rating.

LISTING:

ITI Limited is desirous of getting the bonds issued listed on the The Stock Exchange of India, Mumbai.

ISSUE OPENS ON	ISSUE CLOSSES ON
*	*


CMD

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GLOSSARY OF TERMS / ABBREVIATIONS

Act / The Act	The Companies Act, 1956 and subsequent amendments thereto
Articles/AOA	Articles of Association of the Company
BSE	The Stock Exchange of India, Mumbai
Bonds	550 Bonds of Rs 10 Lakhs each for cash at par on private placement basis offered to the eligible investors
Demat	Dematerialized (Electronic/Depository – as the context may be)
Depositories	NSDL and CDSL
DP	Depository Participant
Equity Shareholders	Equity Shareholders whose names appear as <ul style="list-style-type: none">• beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and• on the Register of Members of the Company in respect of the shares held in physical form at the close of business hours on the Record Date i.e., 23.11.2005 to 30.11.2005 (both days inclusive), and to whom this issue is being made.
FCNR	Foreign Currency Non-Resident
FII/FIIs	Foreign Institutional Investor /s
ITI/ The Company / Issuer	ITI Limited
GoI	Government of India
Issue / Bonds Issue	Issue of 550 Bonds of Rs 10 Lakhs each for cash at par on private placement basis offered to the eligible investors
IT Act	Income Tax Act, 1961
ITAT	Income Tax Appellate Tribunal
IM	Information Memorandum to be circulated to the Eligible investors of the Company
MACT	Motor Accident Claims Tribunal
Members/Shareholders	Holders of the equity shares of the Company whose names appear in the Register of Members or Register of Beneficial Shareholders as on the Record Date
MOU	Memorandum of Understanding
NAV	Net Asset Value
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Ltd.
OCBs	Overseas Corporate Bodies
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	Reserve Bank of India
RONW	Return on Net Worth
SEBI	Securities and Exchange Board of India

RISKS ENVISAGED

The investors should consider the following risk factors together with all other information included in this Draft Information Memorandum carefully, in evaluating the Company and its business before making any investment decision. This Draft Information Memorandum contains forward-looking statements that involve risks assumptions and uncertainties. Such statements use forward looking terminology like “may”, “believes”, “will”, “expect”, “anticipate”, “estimate”, “continue”, “plan”, “likely” or such similar words similarly statements that describe our objectives, plans. The Company’s actual results could differ from those anticipated in these forward-looking statements as a result of certain factors including those, which are set forth in the “Risk factors”, elsewhere in this Draft Information Memorandum and general economic and business conditions, our ability to successfully implement our strategy, growth and expansion plans, and increasing competition in the telecom Industry. Neither the Company nor the Lead Arrangers or their respective affiliates has any obligation to update, or otherwise revise, any statements, including revisions, if any, to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.



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Any projections, forecasts and estimates contained herein are forward looking statements and are based on certain assumptions that the Company considers reasonable.

This Draft Information Memorandum also includes statistical and other data regarding the Telecom industry. This data was obtained from industry publications, reports and other sources that the Company and the Lead Arrangers believe to be reliable. Neither the Company nor the Lead Arrangers have independently verified such data.

Note: Unless specified or quantified in the relevant risk factors below, the Company is not in a position to ascertain the financial and other implications of any the other risks mentioned below.

INTERNAL FACTORS

Risk Factors :

Redemption Reserve: Creation of Redemption Reserve is not envisaged for the proposed issue of Bonds.

Management Response :

As per the Circular no. 6/3/2001-CL.V dated 18-04-2002 issued by the Government of India with respect to creation of Debentures Redemption Reserve, for manufacturing and infrastructure companies, the adequacy of DRR is defined at 25% of the value of debentures issued through private placement route. In terms of extant provisions of Companies Act, 1956, the Company is required to create Debenture Redemption Reserve out of profits, if any, earned by the Company. In case of the Current issue of Bonds, to ensure the timely payment of principal amount of Bonds and the interest thereon, the Government of India has provided a "Letter of Comfort" vide its letter no. U-48019-3/2002-FAC, Dated: 28-10-2002, text of which is reproduced elsewhere in this information Memorandum. The Company has also appointed a Trustee to protect the interest of the investors.

Risk Factors:

Market Risk: Increased interest rate volatility exposes ITI Limited to market rate risk arising out of maturity/rate mismatches.

Management Response:

Risk arising from interest rate volatility is inherent to the business of financial intermediation and term lending. This risk is minimized by linking the interest rates in term lending, which varies in accordance with overall movement in the market, which determine cost of borrowing. ITI Limited manages market risks through active Asset Liability Management (ALM). Viz. liquidity, interest rate so as to optimize matching of the Assets and Liabilities, which help moderate the market risk.

Risk Factor:

Department of Telecommunications has declared ITI as a potentially sick company and has directed management of the company to come out with a revival plan. The company's net losses in the first half of the current fiscal is Rs. 216 crores and in the previous year the loss was to the tune of Rs 310 crores. Auditor had also, in their report highlighted that the company was a sick company.

Management Response:

The revival package approved by the Board of directors and sent to the Ministry of communication has been processed by the Ministry. The Ministry of Finance has sanctioned a revival package of Rs. 1025 Crores to the company during March 2005, The company has also signed an MOU with the Ministry for achieving a production target of Rs. 3800 Crores for the year ending 2005-06.

Risk Factor:

ITI Limited has had an increase in its profitability from a PAT of Rs. (706) crores in the year ending 31st March 2004 to a PAT of Rs (310) crores for the period ending 31st March 2005. Apart from decline in losses, it had also increased the production level, from Rs 1073 crores in 2003-04 to Rs 1362 crores in 2004-05 and registered an increase in the sales turnover of the company, from Rs 1257 crores in 2003-04 to Rs 1389 crores in 2004-05.

Management Response:

The turnaround effort of the company took off with a revival package of Rs. 1025 crores sanctioned by the Government of India. During the year ITI received R. 825 crores including Rs. 200 crores of equity infusion as part of the package. Out of the balance amount of Rs. 200 crores, ITI has received Rs. 100 crores and the balance is expected to be released during the year. Laying emphasis on the conservation of our resources, the company initiated several cost cutting measures like energy saving, retraining and redeployment of existing manpower, reduction of surplus manpower through VRS on a regular basis, allocation of orders to plants based on inventory/infrastructure available. These cost saving measures have materialized in savings of Rs.



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49.66 crores. To reduce expenditure further, the Electronic City, Hosur Road plant has been merged with the Bangalore Plant at Doorvaninagar. The registered and corporate office has been shifted from Magrath Road to ITI Bhavan in Doorvaninagar. The future business model of the company will focus significantly in all segments of telecom services, manufacturing and knowledge based models. ITI's initiatives during the year under review and the current fiscal reflect this strategy.

Risk Factor:

Loss suffered by the Joint Venture Companies – Two Joint Venture companies of ITI, India Satcom Limited and ITI Singapore Pte have suffered losses. ITI Singapore Pte is on the verge of closure.

Management Response:

- ITI has no liability in respect of its Joint Ventures.
- Board of Directors had approved in the year 2001-02 write off of the investments made by the Company of Rs.9.77 lakhs in the shares of ITI Singapore Pte.
- ITI's investment in the shares of India Satcom Ltd. is Rs.40.80 lakhs.

Risk Factors:

As on March 31, 2005 ITI had contingent liabilities of about Rs. 378.65 crores on account of outstanding letters of credit, sales tax demand, and Disputed excise duty demand/cenvat disallowance.

Management Response:

The contingent liabilities are solely on account of normal operations and are subject to the prudential norms applicable to manufacturing operations. Breakup of contingent liability due to various cases pending like arbitration cases, court cases and with statutory authorities are given else where in the Offer documents under the head "Contingent Liabilities". The Company does not anticipate any significant liability out of the arbitrations cases, demand by Sales Tax Department and various compensation claims to materialize against it.

Risk Factor:

Foreign Exchange Risk: Adverse foreign exchange fluctuations can potentially lead to increase in cost of products as far as import is concerned as well as reduction in margins for the products exported by the Company.

Management Response:

Financial Risk of the Company basically relates to Foreign Currency exposure. The Company has a well designed control system for both Revenue expenditure and Capital expenditure relating to foreign currency exposure, thereby taking appropriate measures to mitigate losses, if any, on this account.

EXTERNAL RISK FACTORS

Risk Factor:

Indian Telecom Industry is coupled with intense competition among large number of players, which is in contrast to world wide trend and will lead to the overcapacity and reducing the demand for the equipment manufacturers like ITI.

Management Response:

ITI is already associated with large telecom players like BSNL/MTNL. Besides, the Indian Telecom Industry is poised for growth to reach a tele density of 11.5 by the end of 10th Five year plan. Hence, the telecom business will increase to achieve this target. ITI is having a large infrastructure and has already taken steps to keep pace with future demands of technology of BSNL/MTNL. Hence, ITI will not get affected because of this factor.

Risk Factor:

The concept of Unified License will lead to large players present in every business activity of the Telecom sector and thus they will negotiate for better prices from ITI. In spite of their huge demand potential they will put pressure on the profitability of ITI.

Management Response:

ITI is already making supplies to mainly large players like BSNL and MTNL whose investment in telecom business is almost 70% of total requirement during 10th Five year plan. Hence undue pressure on the profitability of ITI is not expected because of unified licensing.

Risk Factor:


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The Telecom industry is moving from hardware driven to software driven, though ITI is diversifying in the software part but still continuous realignment is needed on part of ITI to maintain its Advantage over the competitors.

Management Response:

Even though telecom industry is moving from hardware to software, the demand for hardware will also increase in line with telecom business growth. ITI with the core strength of manufacturing capability shall concentrate on hardware requirements and after sales service and annual maintenance contracts which will also enhance ITI business.

The Company has taken steps to increase the value addition for new technology products with in-house manufacture. In this connection, we wish to mention that the Company has entered into:

- MOU Agreement during August 2003 with M/s ZTE Corporation, China for manufacture and servicing CDMA technology.
- Transfer of technology Agreement with M/s CIT, Alcatel during August 2003 for Technical know how relating to GSM Cellular Mobile communication service equipments.
- Manufacturing facility for GSM mobile equipments was inaugurated by the UPA chairperson, Mrs.Sonia Gandhi and Union Minister for Communication Mr. Dayanidhi Maran in July 2005. Government approval for TOT Agreement for GSM Infrastructure Project has since been received and supplies have already commenced from Mankapur. Plans for increasing capacity to 3 million lines at Mankapur and setting up of facilities at Rae Bareli have been envisaged.
- A collaboration agreement signed during May 2004 with M/s Tejas Networks for Next Generation SDH equipment to fully comply with latest GR specifications. Initial supply phase has been completed. Full productionisation is planned during this fiscal.
- A collaboration Agreement was signed with M/s. G&D (Giesecke Devrient), Germany for manufacture of SIM cards. Infrastructure approval has been obtained and ITI has augmented it's manufacturing for higher value addition. The capacity envisaged is about 10 million cards annually.
- A collaboration agreement was signed with M/s. Tekelec for manufacture of soft-switch based IP TAX Standalone signal transfer point (SSTP) equipment. The implementation of these projects would enable ITI to make forays into Next Generation Networks being implemented by BSNL and MTNL and other private operators.
- An MOU was signed with M/s. Adhunik Power Systems in August 2004 for Automated Integrated Management System (energy saving device). ITI is poised to manufacture these systems. Educational orders have been received from BSNL. Rae Bareli unit is executing these orders.
- An MOU was signed with BSNL for revenue sharing project for running Broadband VSAT services. Technology partner was finalized in July 2004. Order for 1 Hub and 12 VSATS (Rs. 19 crores) received during January 2005. Order is being executed during this fiscal. Various services offered include internet access to both corporates and rural areas besides other features for corporate house, stock market and telemedicine. The company has planned investment supported by government grant for capital expenditure.

Consequent upon these TOTs and taking into account the requirements of our major customers, the Company is confident of achieving the production targets for the year 2005-06.

Risk Factor:

Technology is the driving force in the Telecom sector and thus frequent obsolescence of technology is the major risk factor for Telecom Company like ITI.

Management Response:

In our tie up with technology providers for various technologies, care has been taken to keep the technology updated in line with the market demand.

Risk Factor:

The convergence of technologies has resulted into evolution of new services at affordable prices. Services, which hitherto were primarily hardware driven, are now being catered by equipment which have more software content. Communication business segmentation is under threat.

Management Response:

ITI is already in futuristic technologies like GSM and WLL CDMA which have both hardware and software contents. Manufacturing has been made state of art to cater to these future requirements. As tele density is expected to be 11.5 by 31st December 2007, telecom market is on the increase and there is no threat to telecom equipment.


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Risk Factor:

Fixed lines which till recently formed a major chunk of ITI's turnover has declined considerably and now the growth in Mobile business. The customer is becoming more demanding. Instead of equipment, the demand is for networks- "installed and commissioned".

Management Response:

ITI has already entered into MOU and technology transfer agreements both in GSM and WLL-CDMA. Besides ITI has gained proficiency in handling turnkey projects like GSM, ASCON etc. which meets market requirements.

Risk Factor:

The performance of the company may be affected by a number of factors beyond its control including economic developments both in India and worldwide. The slowdown in India's/ world's economic growth may have an adverse impact on the demand for the Company's product.

Management Response:

Indian Economy is growing at more than 8%, the performance of the company may not be affected because of economic developments elsewhere in the world. As Indian telecom sector is poised for heavy investments in order to meet the tele density contemplated in five year plan, the existing growth in telecom business will not get affected.

Risk Factor:

Adverse foreign exchange fluctuations can potentially lead to increase in cost of products as far as import is concerned as well as reduction in margins for the products exported by the Company.

Management Response:

The Company has a well designed control system for both Revenue expenditure and Capital expenditure relating to foreign currency exposure, thereby taking appropriate measures to mitigate losses, if any, on this account.

- The Company has following contingent liabilities which are not provided for as on 31st March, 2005:

Sr. No.	Particulars	Amount (Rs in crores)
1.	Outstanding Letters of Credit	276.34
2.	Sales Tax Demand	76.56
3.	Disputed Excise Duty Demand/ CENVAT Disallowance	25.75

- The company is severely overstaffed. In the year 2004-05 the company gave VRS to 299 employees and incurred an expenditure of Rs. 15.72 crores. Upto 2004-05 the company has given VRS to 9076 employees.
- The Statutory Auditors of the company have given certain qualification in their report, :-

7(a)	Company has recognized as income Rs. 470.48 crores as grant in aid received as part of revival package meant only to compensate the cost incurred. Thi has resulted in the loss for the year being understated by Rs. 234.01 crores.
(b)	Sundry debtors outstanding for more than 3 years, Rs. 115.63 crores
(c)	Other recoverables such as claims, loans and advances & other outstandings for more than three years amounted to Rs. 104.66 crores as 31-3-2005
(d)	Sales have been recognized on the basis of provisional prices to the extent of Rs. 283.40 crores and an ad-hoc basis to the extent of Rs. 45.40
(e)	The realisability of sundry debtors of Naini Unit against the financial issues for earlier years of Rs. 50 crores due from BSNL is unascertainable.
(f)	Inventory of the company comprising of dormant stock, work-in-progress, and stock-held-in-trade for two years and more aggregate to Rs. 112.90 crores.
(g)	Valuation of stok-in-trade of Rs. 5.67 crores and work-in-progress of Rs. 3.62 crores of Naini unit is at old

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	basic rate and not in conformity with the norms laid down.
(h)	Provision for gratuity and leave liability ascertained on actuarial basis. The effect of the same is not ascertainable at present.
(i)	Rs.5.49 crores being outstanding under the head "Cenvat Account" requires reconciliation.
(j)	Balances in the accounts of creditors, debtors, claims and expenses recoverable, loans and advances, deposits, goods with third parties and other payables are subject to reconciliation, confirmation and consequential adjustments.
(k)	Interest and penalty liable, if any, for violation of the provision of Income Tax Act of 1961, for non-deduction of TDS of Rs. 3.86 crores by Naini unit could not be quantified.
(l)	Interest and penalty liable, if any, for non remittance of statutory dues on the sales recognized on provisional basis is not ascertainable.

Notes to the Risk Factors:

- Adjusted Net Worth of the Company as on 31st March 2005 is Rs. 706 crores.
- Cost per share to the Core promoter is Rs. 10/- per share.
- The Adjusted Book Value per share on 31st March 2005 is Rs. -24.51 per share.
- The promoters and directors have not undertaken any transactions in the shares of the company during the last six months.
- There are no loans and advances / sundry debtors, in the books of the company, made to directors, authorized persons, companies in which directors are interested.
- Directors / key managerial personnel / authorized representatives of the company, apart from reimbursement of expenses incurred, normal remuneration and benefits and their shareholding in the company, if any, have no other interest in the company.
- Directors / authorized representatives are not involved with one or more ventures which are in the same line of activity as the ITI and, therefore, there is no conflict of interest.
- The related party transactions as certified by the auditors of the Company are as follows:

Statement of Related Party Disclosure

Related party Disclosure as required by Accounting Standard –18 issued by The Institute of Chartered Accountants of India (w.e.f. 1/4/2001), the following transactions are entered into with the Joint Ventures of the company viz. India Satcom Ltd., Fibcom India Ltd., and ITI Communications Pte. Ltd, Singapore:

	For 2004-05 Rs. in crores
Purchase of goods / Services	12.76
Sale of goods / Services	0.57
Amount Outstanding:	
- Due from the related party	2.73
- Due to the related party	12.43
Provision for doubtful debts against due from related party	
Existing as at the year ended 31 st March 2005	0.93

ITI LIMITED

(A Government of India)

Regd. Office: ITI Bhavan, Doorvaninagar, Bangalore – 560016.

Tel. No. 080-25617521 Fax No. (080) 25618295

Email: nainanp_crp@itilttd.co.in

Dear Investor(s),

Pursuant to the resolution passed by the Board of Directors at their 335th Meeting, it has been decided to make the following offer to the eligible investors.

Issue of 550 Secured Non – Convertible Redeemable Taxable Bonds of Rs. 10 Lakhs each for cash at par aggregating to Rs. 55 Crore to the eligible investors.

GENERAL INFORMATION

IMPORTANT

- This Offer is applicable for only the eligible investors given elsewhere in the information memorandum.
- Since the issue has been made on Private Placement basis, it is for specific use of the addressee only.
- Your attention is drawn to the section on 'RISK FACTORS' appearing on page 2__ of this Information Memorandum.
- Please ensure that you have received the Application Form along with this Offer.
- Please read the Information Memorandum and the instruction contained herein and the Application Form (AF) carefully before filling in the AF. The instruction contained in the Application Form is an integral part of the Information Memorandum and must be carefully followed. Application is liable to be rejected for any non-compliance with the terms of the Information Memorandum or the AF.
- All enquires in connection with this Information Memorandum or AF should be addressed to the Registrars to the Issue, M/s Alpha Systems Pvt. Limited, No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleshwaram, Bangalore – 560003 quoting the Registered Folio number/ Depository Participant (DP) Number, Client ID and the AF numbers as mentioned in the AF.

ELIGIBILITY FOR THE ISSUE

This issue being a private placement of debt issue is exempt from the eligibility norms of the SEBI Guidelines. The Company, its Directors or any of its authorised officers have not been prohibited from accessing the capital market under any order or direction passed by SEBI or any other regulatory authority.

GOVERNMENT APPROVALS

ITI does not require consent from the Government for the present issue. However the issue is backed by a Government Guarantee issued for payment of interest and repayment of principal from the Government of India, Department of Telecommunications vide letter no. U-48019-3/2002-FAC, Dated: 28-10-2005.

CAUTION


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The Company and the Lead Arrangers accept no responsibility for statements made otherwise than in this Information Memorandum or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her/their own risk.

All information shall be made available by the Lead Arrangers and the Issuer to the eligible investors and no selective or additional information would be available for a section of the eligible investors in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the draft Information Memorandum with SEBI.

PARTICULARS OF THE ISSUE

The bonds will be subject to the terms of the private placement of bonds in the Offer Document in pursuant to the resolution of the Board of Directors ITI passed at its 335th meeting for the initial 'J' Series and Subsequent re-issue of the 'J-1' Series with authority given by the CMD as in letter Ref No. CRT200/J-1Series, the relevant statutory guidelines and regulations for allotment and listing of securities issued from time to time by the Government of India (GOI), Reserve Bank of India (RBI) and the Stock Exchanges concerned, the terms of this Offer Document and Application Form.

DISCLAIMER IN RESPECT OF JURISDICTION

This offer of Bonds is made in India to the eligible investors in India subject to requisite approvals. This Information Memorandum does not, however, constitute an offer to sell or an invitation to subscribe to Bonds offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.

Any person into whose possession this Information Memorandum comes is required to inform him / her about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Bangalore, Karnataka, India only.

GENERAL DISCLAIMER

ITI accepts no responsibility for statements made otherwise than in the Offer document or in the advertisements or other material issued by or at the instance of ITI and any one placing reliance on any other source of information would be doing so at their own risk.

This Offer document has been prepared to provide general information regarding ITI to investors, and it does not purport to contain all the information that any such investor may require.

IMPERSONATION

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring or subscribing for any shares therein, or**
- (b) Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

MINIMUM SUBSCRIPTION

ITI would be free to retain whatever amount is received by it.

LISTING

The existing equity shares of the Company are listed on the BSE. .

FILING

A copy of the draft Information Memorandum has been filed with Stock Exchange of India, Mumbai where the Bonds to be issued in terms of this draft Information Memorandum are proposed to be listed as per SEBI Guidelines issued wide circular no.SEBI/MRD/SE/AT/36/2003/30/09 dated 30/9/2003.

COMPULSORY DEMATERIALIZED DEALING

The equity shares and bonds of the Company have been under compulsorily dematerialized trading for all investors with effect from 1st April 2004. The Company has an agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and its divested equity shares bear the following ISIN No. INE 248A01017. Further the bonds issued by the Company have been under compulsorily dematerialized trading for all investors. The various series of bonds issue made by the company bear the following ISIN No.


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S. No	Issue	Date of Allotment	ISIN No.
1	ITI Ltd. Sr. J	10.01.2003	INE248A07014
2	ITI Ltd. SR. I (i)	24.03.2003	INE248A07030
3	ITI Ltd. Sr. I (ii)	31.05.2003	INE248A07022
4	ITI Ltd. Sr. I (iii)	31.03.2004	INE248A07055
5	ITI Ltd. Sr. L	31.03.2004	INE248A07048
6	ITI Ltd. Sr. M1	26.07.2004	INE248A07063
7	ITI Ltd. Sr. M2	02.08.2004	INE248A07071
8	ITI Ltd FRB	08.07.2005	INE248A09184

ALLOTMENT AND REFUND

Deemed Date of Allotment

The Date of realization of the cheque/Demand Draft for the respective investors shall be the deemed date of allotment of the Bonds. All the benefits under the bonds will accrue to the investor from this date even through the actual allotment may take place on a date other than the specified deemed date of allotment.

Basis of Allotment

The allotment will be on First Effort basis.

Interest in case of delay on allotment/Dispatch

ITI agrees that

- Allotment of securities to the investors shall be made within 30 days of the closure of the issue;
- Interest shall be paid at the rate of 15% p.a., if the allotment is not made and/or the refund orders are not dispatched to the investors within 30 days from the date of closure of the Issue, for the delay beyond 30 days.

Rejection of Applications

ITI reserves the right to accept or reject any application in whole or in part and in either case without assigning any reason therefore. In the event the Bonds applied for are not allotted in full, the excess application money, without interest, in respect of any application will be refunded. Any application for bonds, which is not completed in all respects, may be rejected. The various reasons for rejections could be, but not limited to following: incomplete or illegible applications, number of bonds applied for less than minimum required number, no information about PAN/GIR Applications are also advised to refer para on 'General Instructions' to understand various other reasons for rejection of applications. No interest shall be payable in respect of those applications which are rejected.

Mode of Refunds

In case of rejection of applications or non-allotment of the Bonds, refunds will be made by cheque or by pay order drawn on any Bank payable at PAR.

ISSUE PROGRAMME

The subscription will open at the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below or on such extended date (subject to a maximum of 60 days) as may be determined by the Board, subject to necessary approval:

ISSUE OPENING DATE	ACTUAL CLOSING DATE
*	*

ISSUE MANAGEMENT TEAM

LEAD ARRANGERS TO THE ISSUE

ALLIANZ SECURITIES LIMITED No. 416, South Block, Manipal Centre, Bangalore	RR FINANCIAL CONSULTANTS LTD. S-111, South Block, Manipal Centre, Bangalore	CENTRUM FINANCE LIMITED 128, Silverlake Terrace, 167, Richmond Road, Bangalore-25
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REGISTRARS TO THE ISSUE

M/s Alpha Systems Pvt. Limited
No. 30, Ramana Residency,
4th Cross, Sampige Road, Malleshwaram,
Bangalore - 560003

STATUTORY AUDITORS TO THE COMPANY (APPOINTED BY CAG)

M/s John Joseph & Mathew,
Chartered Accountants,
201, Shiva krupa, IIIrd Main, 4th cross
PO Box 3252, Ganganagar extension,
Bangalore - 560032

LEGAL ADVISOR TO THE ISSUE

There is specific legal advisor for the particular issue of Bonds by the company however the company has the following legal advisors:-

M/s Raj & Reddy, Advocate, Bangalore
M/s Holla & Holla, Patil & Nettar, Advocates, Bangalore
M/s N. Jayaraman, Advocates, Bangalore
M/s Dave & Girish & Co., Advocates, Bangalore

BANKERS TO THE COMPANY

State Bank of India	State Bank of Hyderabad	Indus Ind Bank Limited
State Bank of Patiala	Bank of Baroda	UTI Bank Limited
State Bank of Bikaner and Jaipur	Central Bank of India	Vijaya Bank
State Bank of Mysore	Punjab National Bank	Indian Bank
State Bank of Travancore	Development Credit Bank Limited	Canara Bank

COMPANY SECRETARY & COMPLIANCE OFFICER

Shri K. Ramaswamy
Company Secretary
ITI Limited
ITI Bhavan, Doorvaninagar,
Bangalore -560016.
Tel No : (080) 25614466
Fax No : (080) 25617525

Note: The investors are advised to contact the Registrars to the Issue/Compliance Officer in case of any Pre-issue/ Post-issue related problems such as non-receipt of Information Memorandum/ Letter of Allotment/ Bond certificates/ Refund orders etc.

CREDIT RATING

M/s. FITCH Ratings India Pvt Ltd has assigned an in-principle rating of 'AAA (ind) (SO)' to the tune of Rs. 500 Mn Series I and Rs. 1500 Mn Series J Long term bond programme of ITI Limited Guarantee of Government of India.

Instruments carrying this rating are considered to be of Best Quality, carrying negligible investment risk, on the strength of the "Guarantee by the Government of India" vide its letter no. U-48019-3/2002-FAC, Dated: 28-10-2002 under reference. The guarantee was extended for a period of five years starting from 08.01.2003 to 08.01.2008.

Since the Instrument had a put/call option to be exercised 90 days prior to the end of the 3rd year i.e. 08.01.2006, a few investors have exercised this option to the extent of 55 crores for which ITI limited has sought the permission of the Trustee and the Credit Rating Agencies to Re-issue the Bonds to such extent for the remaining period of two years.


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Investors are requested to note that a credit rating is not a recommendation to buy, sell or hold securities and that it may be subject to revision or withdrawal at any time by the agency assigning the rating and that each rating should be evaluated independently of any other rating.

DETAILS OF RATING IN PAST 3 YEARS

Borrowing Programme	Financial Year	Rating assigned	Reference
Rs. 94 crores	2001-02	LAAA(SO)	By ICRA – H series – Long term
Rs. 250 crores	2002-03	F1 + (Ind)	By FITCH – MIBOR linked Floating Rate Bonds
Rs. 150 crores	2002-03	AAA((Ind)SO	By FITCH – J series – Long term
Rs. 50 Crores	2002-03	AAA(Ind)SO	By FITCH – I series – Long term
Rs. 400 crores	2003-04	PRI + (SO)	By CARE – MIBOR linked Floating Rate Bonds
Rs. 238 crores	2004-05	CARE AAA(SO)	By CARE – M Series - Long Term
Rs. 400 crores	2005-06	PRI + (SO)	By CARE – Short Term Floating Rate Bonds

UNDERWRITING ARRANGEMENTS

This bonds issue of the Company is not being underwritten.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors declare that:

The funds received against this Bonds Issue will be used for working capital purposes.

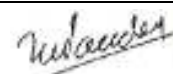
II. CAPITAL STRUCTURE OF THE COMPANY

		Amount (Rs.)
		Face Value
Authorized Share Capital		
30,00,00,000	Equity shares of Rs.10/- each	300,00,00,000
4,00,00,000	Preference Shares of Rs. 100/- each	400,00,00,000
Issued, Subscribed and Paid-up Capital*		
28,80,00,000	Equity shares of Rs.10/- each (of which 9,00,640 shares allotted for consideration other than cash)	2,88,00,00,000
1,00,00,000	8.75% Cumulative Redeemable Preference shares of Rs 100/- each	100,00,00,000
2,00,00,000	7% Cumulative Redeemable Preference Shares of Rs.100/- each	200,00,00,000
Long Term Loan Funds		
	Bonds and Debentures	357,00,00,000
	Present Issue: Offer of Secured Non-Convertible Redeemable Taxable Non Priority Sector Bonds in the nature of debenture.	55,00,00,000
	Paid up Capital After the Present Issue	412,00,00,000

NOTES FORMING PART OF THE CAPITAL STRUCTURE:

- Government of India has divested 23% of the Equity shares to Financial Institutions, Banks, Mutual Funds and Employees
- Capital History of the Company (Capital build up)

Date of allotment	No. of shares allotted	Face Value	Cumulative no. of shares	Issue Price (Rs.)	Consideration	Nature of Issue & reason of
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						allotment
On various dates from 1950 to 2005						
PRESIDENT OF INDIA (GOVT. OF INDIA)	267468190	Rs.10/-	267468190	Rs.10/-	In kind and cash	Govt. owned Company
GOVT. OF KARNATAKA	312500	Rs.10/-	312500	Rs.10/-	In kind and cash	Govt. owned Company
GENERAL PUBLIC	20219310	Rs.10/-	20219310	R.10/-	In cash	

The Equity Shares allotted / held by the present promoters of the Company are fully paid up.

3. The director / directors of ITI have not entered into standby or similar arrangements for the present bond issue.
4. ITI has not raised any bridge loan or any other similar financial arrangement, the amount of which would be repaid out of the proposed issue of Secured Non Convertible Redeemable bonds in the nature of debentures.
5. ITI being a Public Sector Enterprise is in the business of Manufacture and Servicing of Telecommunication Equipments. Therefore, ITI may borrow funds through private placements for its operations. However, no specific issue of securities by way of a private placement or an issue (by means of a separate offer document / Offer documents, wherein a specific invitation is given to investors to subscribe to securities) shall be made during the time when this issue is open.
6. To the best of knowledge of ITI, there is no intention of ITI to alter its capital structure within a period of 6 months from the date of opening the present issue of ITI Taxable Non Priority Bonds.
7. In the event of over subscription the basis of allotment shall be decided on a proportionate manner in consultation with the in house committee constituted for the purpose.

III. TERMS OF THE PRESENT ISSUE AUTHORITY FOR THE ISSUE

The Issue of the intial J Series bonds amounting to Rs. 1500 Mn was made pursuant to the Articles of Associations of ITI Limited and has been authorised by the Board of Directors of ITI Limited by the resolutions passed at its 335th meeting held at ITI Ltd.

Subsequent re-issue of the 'J-1' Series amounting to Rs. 550 Mn is being made pursuant to the letter Ref No. CRT200/J-1Series, the relevant statutory guidelines and regulations for allotment and listing of securities issued from time to time by the Government of India (GOI), Reserve Bank of India (RBI) and the Stock Exchanges concerned, the terms of this Offer Document and Application Form.

The proposed bond issue is with in the overall borrowing limit approved in the AGM of the shareholders of the Company. ITI Limited can issue the bonds proposed by it in view of the present approvals and no further approvals in general from any Government Authority are required by ITI Limited to undertake the proposed activity.

PRINCIPAL TERMS OF THE ISSUE

The Bonds, now being issued, are subject to the terms and conditions of this Draft Information Memorandum, the enclosed Application Form(s) ("AF(s)"), the Memorandum & Articles of Association of the Company, the approvals from the GoI and RBI, as applicable, the provisions of the Companies Act, 1956, and SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/ or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advise or letter of allotment or share certificate, or any other legislative enactments and rules as may be applicable and introduced from time to time by SEBI, Government of India, RBI and or other authorities.

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE OF BONDS

BONDS HIGHLIGHTS	
Total Amount	Rs. 55.00 crore
Instrument	Central Government Guaranteed, Secured, Taxable, Non-Convertible, Redeemable Bonds

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Credit Rating	“AAA(Ind) (SO)” by M/S FITCH Ratings India Ltd.
Security	Bonds shall be secured by way of a subsequent charge on the company’s fixed assets including further additions to be made. However the charge on the fixed assets as mentioned above shall have priority over the charge created/ to be created in favor of working capital bankers.
Face Value/ Issue Price	Rs. 10 Lakhs per Bond
Minimum Application	1 Bond and in multiples of 1 Bond thereafter
Tenure	2 Years
Put & Call Option	Not Applicable
Redemption/ Maturity	At par on the 10 th Jan 2008
Coupon/ Interest Rate	6.80% p.a
Interest Reset & Interest Payment	Payable Half yearly
Trustees	Canara Bank has agreed to act as Trustees for and on behalf of the holders of the bonds

Letter of Comfort

This issue is backed by “Government Guarantee” No. U-48019-3/2002-FAC dated 28th October, 2002 from the Department of Telecommunications, Government of India.

CREDIT RATING

M/s. FITCH Ratings India Pvt Ltd has assigned an in-principle rating of ‘AAA (ind) (SO)’ to the tune of Rs. 500 Mn Series I and Rs. 1500 Mn Series J Long term bond programme of ITI Limited Guarantee of Government of India

Instruments carrying this rating are considered to be of Best Quality, carrying negligible investment risk, on the strength of the “Guarantee by the Government of India” vide its letter no. U-48019-3/2002-FAC, Dated: 28-10-2002 under reference. The guarantee was extended for a period of five years starting from 08.01.2003 to 08.01.2008.

Since the Instrument had a put/call option to be exercised 90 days prior to the end of the 3rd year i.e. 08.10.2006, a few investors have exercised this option to the extent of Rs. 550 Mn for which ITI limited has the permission of the Trustee to Re-issue the Bonds to such extent for the remaining period of two years. ITI Ltd. has also sought the permission of the Credit Rating Agencies to affirm their rating for the Re-issue the Bonds.

Investors are requested to note that a credit rating is not a recommendation to buy, sell or hold securities and that it may be subject to revision or withdrawal at any time by the agency assigning the rating and that each rating should be evaluated independently of any other rating.

OBJECT OF THE PLACEMENT

Rs. 550 Mn is being raised for purely replenishing the earlier ‘J’ Series Bonds issued to refinance the ‘D Series’ Bonds, which was wholly guaranteed by the Government of India for a whole period of five years from 08.01.2003, under a new ‘J-1’ Series.

NATURE OF BONDS

The Bonds being issued are in the nature of Promissory Notes. The Bonds are secured by a subsequent charge on the Company’s assets and are Non-Convertible, Non-Cumulative, Redeemable and Taxable.

LETTER OF ALLOTMENT

ITI will make allotment to the investor after due verification of the Application Form, the accompanying documents and on realisation of the application money. ITI will issue Letters of Allotment, evidencing the title of Bonds in favour of the allottees within thirty days from the deemed date of allotment. Letter of Allotment will be a negotiable instrument and can be transferred by execution of appropriate transfer documents as per statute.

INTEREST ON THE BONDS

The Bonds shall carry interest at the coupon rate to determined, from the deemed date of allotment subject to the deduction of tax at source, at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or reenactment thereof. For the tax deducted at source, a certificate will be issued by ITI. The interest will be


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payable semi-annually. The first interest payment will be made on 6th January 2006 and the final interest payment will be made along with the payment on redemption i.e. 7th July 2006.

PAYMENT OF INTEREST

Interest will be paid on half-yearly basis to the Bondholders whose name appears in the Demat Account opened for this purpose maintained by ITI through its Registrars and Transfer Agents and NSDL.

Payment will be made by way of cheque/ demand draft, which will be dispatched to the Bondholders by Registered Post/ Speed Post/ Courier.

Note: In the event that any of the above mentioned days is a holiday for any reason whatsoever, the preceding working day would be substituted for that day in respect of interest payment.

REGISTRARS & TRANSFER AGENTS

M/s. Alpha Systems Pvt. Ltd, No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleshwaram, Bangalore – 560 003.

BONDS IN DEMATERIALIZED FORM

ITI has made arrangement with National Securities Depositories Ltd. (NSDL) and Central Depositories Services Ltd. (CDSL) to issue the Bonds in dematerialized form to all the successful bidders/ applicants. All the provisions relating to issue, allotment, transfer, transmission, etc. in respect of dematerialization and rematerialization of the bonds as may be prescribed under the Depositories Act, 1996 and the Rules there under or by the National Securities Depositories Ltd/ Central Depositories Services of India Limited would be applicable to these bonds.

DEPOSITORY ARRANGEMENT

ITI has entered into depository arrangements with National Securities Depository Limited (NSDL) and Central Depositories Services Ltd. (CDSL). The securities shall be issued in dematerialized form as per the provisions of Depositories Act, 1996 (as amended from time to time).

PROCEDURE FOR OPTING FOR DEMAT FACILITY

1. Investor(s) should open a Beneficiary account with any Depository Participant of NSDL or CDSL.
2. Responsibility for correctness of investor's age and other details given in the AF vis-à-vis those with the Investor's Depository Participant would rest with the investors. Investors should ensure that the names of the sole/ all the applicants and the order in which they appear in the AF should be same as Registered with the Investor Depository Participant.
3. For allotment of Bonds in dematerialized form, the beneficiary account number and depository participants ID shall be specified in the relevant columns of the AF.
4. If incomplete/ incorrect beneficiary account details are given in the application form which do not match with the details in the Depository system, the allotment of Bonds shall be held in abeyance till such time satisfactory demat account details are provided by the investor.
5. The Bonds allotted to the investor in dematerialized form would be directly credited to the Beneficiary account as given in the application form after verification. Allotment advice/ refund order (if any) would be sent directly to the applicant by the Registrars to the issue but the confirmation of the credit of the bonds to the investor's Depository Account will be provided to the investor by the investor's depository participants.
6. Interest or other benefits with respect to the bonds held in dematerialized form would be paid to those bondholders whose names appear on the list of beneficial owners given by depositories to ITI as on the record date. In case, the beneficial owner is not identified by the depository on the Record Date due to any reason whatsoever, ITI shall keep in abeyance the payment of interest or other benefits, till such time the beneficial owner identified by the depository and intimated to ITI. On receiving such intimation, ITI shall pay the interest or other benefits to the beneficiaries identified, with a period of 15 days from the date of receiving such intimation.
7. Investors may please note that the bonds in demat form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL.

TAX DEDUCTION AT SOURCE


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Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or reenactment thereof will be deducted at source. Tax exemption certificate / declaration, under Section 193/ 197/197A of the Income Tax Act, 1961, if any, must be lodged at least 31 days before the interest becomes due for payment to the Registrars and Transfer Agents.

Tax exemption certificate / declaration, if any, for non-deduction of tax at source or for deduction of tax at a lower rate or nil rate on interest on application money, must be submitted along with the Application Form.

Income tax is deductible at a lower or nil rate:

- a) Where the assessing officer of the Bondholder/applicant submits a Certificate in Form 15AA as per the provisions of section 197(1) of the Income Tax Act.
- b) When the Bondholder (other than companies and firms)/ applicant submits a declaration in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be assessed to tax will be nil (Form 15-G).

TRUSTEES FOR THE BONDHOLDERS

ITI has appointed M/s Canara Bank, Bangalore to act as Trustees to the Bondholders. ITI and the Trustees will enter into a Trustee Agreement, specifying inter alia, the powers, authorities and obligations of the Trustees and ITI. The bondholders shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deed, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the bondholders.

It is proposed that in terms of the agreement, the Trustees will endeavour to protect the interest of the bondholders, in the event of default in regard to timely payment of interests or repayment of principal by ITI. Any payment made by ITI to the trustees on behalf of the bondholders shall discharge ITI pro tanto to the bondholders.

No Bondholders shall be entitled to proceed directly against ITI unless the Trustees, having become so bound to proceed, fail to do so. The events of default under the trustee agreement shall be as follows:

Events of default which occur and continue without being remedied for a period of 30 days after the dates on which the monies specified in (i) and (ii) below become due and will necessitate repayment before maturity are as follows:

- a. Default in payment of monies due in respect of interest owing upon Bonds(s);
- b. Default in payment of any other monies including costs, charges and expenses incurred by the Trustees.

Additional events of default

1. Default is committed in the performance or observance of any covenant, condition or provision contained in the trustee agreement and/or the financial Covenants and Conditions (other than the obligation to pay principal and interest) and, except where the Trustees certify that such default is in their opinion incapable of remedy (in which case no notice shall be required), such default continues for thirty days after written notice has been given thereof by the Trustees to the ITI requiring the same to be remedied.
2. Any information given by ITI in its applications to the bondholders, in the reports and other information furnished by ITI and the warranties given / deemed to have been given by it to the Bondholders/ Trustees is misleading or incorrect in any material respect.
3. The ITI is unable to or has admitted in writing its inability to pay its debt as they mature.
4. Receiver or a Liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the ITI and such appointment is not dismissed within 60 days of appointment.
5. The ITI ceases to carry on its business.

ITI hereby declares that it has not defaulted in payment of any of its previous borrowings.

ITI has executed Trust Documents in respect of all its previous issues within a period of six months from the closure of each of the issue.

ITI confirms that the security cover covenanted to be maintained in the said agreement has been maintained as on the date of filing the present document with the The Stock Exchange, Mumbai as also in past three years.


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RIGHTS OF BONDHOLDER (S)

- a) The Bond(s) shall not confer upon the holder(s) thereof any rights or privileges available to the shareholders of ITI including the right to receive notices or Annual Reports of, or to attend and/or vote, at the General Meeting of the ITI. However, if any resolution affecting the rights attached to the Bond(s) is to be placed before the shareholders, the said resolution will be first placed before the concerned registered Bondholder(s) for their consideration. Holder(s) of the Bond(s) shall be entitled to a copy of the Annual Report on a specific request made to the ITI.
- b) The registered Bondholder or in the case of joint-holders, the one whose name stands first in the register of Bondholder(s) shall be entitled to vote in respect of such Bond(s), resolution(s), either in person or by proxy, at any meeting of the concerned Bondholder(s) and every such holder shall be entitled to one vote on a show of hands. On a poll, his/her voting rights shall be in proportion to the outstanding nominal value of Bond(s) held by him/her on every resolution placed before such meeting of the Bondholder(s). The quorum for such meetings shall be at least five Bondholder(s) present in person.
- c) The Bond(s) are subject to the provisions of the Memorandum and Articles of Association of ITI, the terms of this Offer Document and Application Form. Over and above such terms and conditions, the Bond(s) shall also be subject to the other terms and conditions as may be incorporated in the Trustee Agreement/ Letters of Allotment/ Bond Certificates, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Bond(s).
- d) The bonds will be subject to provisions of this Offer Document, application form, and rules and regulations of Govt. of India, SEBI, and RBI concerned Stock Exchanges and any other competent authority as prevailing and to the extent applicable, will apply in relation to matters not otherwise provided for in terms of the issue of the Bond(s).
- e) A register of Bondholder(s) will be maintained in accordance with the aforesaid provisions of the Act and all interest and principal sums becoming due and payable in respect of the Bond(s) will be paid to the registered holder thereof for the time-being or in the case of joint-holders to the person whose name stands first.
- f) The bondholders will be entitled to their bonds free from equities and/or cross claims by ITI against the original or any intermediate holders thereof.
- g) Bonds can be rolled over only with the positive consent of the bondholders.

ROLE, POWER AND OBLIGATIONS OF TRUSTEES

The major clauses relating to the general rights, powers and discretions of the Trustees shall be as under. These are in addition to other powers conferred on the Trustees and provisions for their protection.

- a) At any time before the security becomes enforceable, the trustee may at the request of ITI and without consent of the bondholders concur with the ITI in sale, lease, exchange etc. of the mortgaged property, assent to any modification or any contracts or arrangements in relation to mortgaged properties.
- b) The trustees shall hold the mortgaged properties on trust for the benefits of the bondholders and the mortgaged bondholders shall be and remain security to the Trustee for the due repayment of principle amount of bonds and interest etc. and the trustee shall have the power of sale of mortgaged properties.
- c) Trustees shall hold upon trust the monies received by it in respect of the mortgaged properties or any part arising out of any sale of the mortgaged properties under the Power of Sale and any other realization whatsoever.
- d) On the happening of any event of default and upon the security becoming enforceable and after the trustees have taken possession of the mortgaged properties but before exercise power of sale, the Trustees may carry on and manage the mortgaged properties or appoint a Receiver to carry on and manage the same.
- e) The Trustees may with the consent in writing of the bond holders representing not less than 3/4th in the value of the aggregate amount of bonds or by a special resolution duly passed at the meeting of the bondholders raised or borrow monies on the security of the mortgaged properties or any part thereof for the purpose of making any payment in relation to the mortgaged properties.
- f) Subject to the provisions of the section 69 A of the Transfer of Property Act and other provisions of law, the Trustee may at any time after the security becomes enforceable appoint any one or more of the officers of Trustee or any bank or financial institution doing business in India or a practicing chartered accountant as Receiver.
- g) In addition to other power, the Trustee may entered into or take possession of and hold or appoint a Receiver to take possession of any part or parts of the mortgaged properties, which may at any time, appear to be in danger of being taken under any process of law by any creditor of ITI are be otherwise in jeopardy.
- h) If and when the Trustee shall have made an entry into or taken possession of the mortgaged property under the powers conferred upon the Trustees, with the consents in writing of the holders of the bonds representing not less than 3/4th in the value of the aggregate value of the bonds or with authority of the special resolution of

bondholders passed at a meeting of the bondholders may, at any time thereafter give up possession of the mortgaged properties or any of them or any part or parts thereof to the ITI, either unconditionally or on such terms and conditions as may be specified in such resolution or consent.

- i) Until the happening of any of the events of default, the Trustee shall not be in any manner required, bound or concerned to interfere with the management, custody, care, prevention or repair of the mortgaged properties or any part thereof.
- j) Trustees shall obtain a certificate annually from the statutory auditors of the ITI in respect of the maintenance of Debt Equity Ratio (DER) and notional debt services coverage ratio (NDSCR), provided that if the ITI fails to meet such criteria, no dividend shall be declared by it for the relevant year except with approval of the Trustees and rate of dividend shall not exceed 10%.
- k) Trustee shall have the right to appoint a nominee on the Board of ITI in consultation with institutional bondholders in the event of default as specified in this Offer Document.

Retirement and Removal of Trustees

The trustees shall not retire without other trustee being appointed.

- a) The Trustees hereof may retire at any time after giving at least one month's previous notice in writing to the ITI in that behalf.
- b) The Trustees hereof may be removed by the Bondholders by a Special Resolution duly passed at the meeting of the Bondholders. The ITI shall appoint such person or persons as may be nominated by such Resolution as new Trustee or Trustees hereof.
- c) For the purposes aforesaid, forthwith upon receipt of the notice of retirement from the Trustees for the time being hereof or on the occurrence of the vacancy in the office of the Trustee or Trustees hereof, the ITI shall convene a meeting of the Bondholders.

SECURITY

This issue is backed by a "Government Guarantee" issued by the Government of India, vide its letter No. U-48019-3/2002-FAC dated 28th October 2002. Further the Company has also taken steps to ensure timely payment of interest and repayment of principal by creating security by way of a subsequent charge on the company's fixed assets including further additions to be made. However the charge on the fixed assets mentioned above, shall have priority over the charge created in favour of the working capital bankers.

PAYMENT ON REDEMPTION

- (1) In the Bonds amount being credited to the Demat account of the investor, the bonds will be redeemed on maturity and the credit in the Demat account will be extinguished on the due date.

Note: In the event that the date of redemption is a holiday for any reason whatsoever, the preceding working day would be construed as the date of redemption.

TRANSFER AND REDEMPTION

Transferability of Bonds

The normal procedure applicable for dematerialized securities shall be followed for transfer of bonds in electronic form. In case of transfer (from one demat holder to another demat holder), the seller will give delivery instructions containing details of the buyer's DP account to his Depository Participant.

Trading on Stock Exchange

ITI TAXABLE BONDS are being allotted in demat mode and hence trading can take place in electronic mode only.

Registration of Transfer

The necessary transfers of bonds in DEMAT form will be effected by the depository, NSDL/ CDSL. The concerned depositories shall inform the Registrars about the rightful owners of the bonds for payment of interest and principal amount.

RECORD DATE



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Record date of interest shall be 30 days prior to each interest payment date and 60 days prior to the date of maturity. Interest shall be paid to the person whose name appears as sole/ first in the register of bondholders/ beneficiaries position of the Depositories on record date. In the event of the ITI not receiving any notice of transfer at least 30 days before the respective due date of payment of interest and at least 60 days prior to the maturity date, the transferees for the bond shall not have any claim against ITI in respect of interest so paid to the registered Bond Holder.

PAYMENT TO REGISTERED BONDHOLDERS

In case of transfer of bonds, the transferee is required to register his/her name with REC or Registrars to the Issue as interest payments or redemption amount on the Bonds are paid or credited only to Registered bondholders appearing in the beneficiaries list as on record dates provided by the depositories. Interest payments will be made by way of post-dated warrants sent in advance. Transferees should register with ITI of Registrars to the Issue at least one month prior to the date on which the interest is due.

If the request for registration of transfer is not received by ITI or the Registrars to the Issue before the record date, payments shall be made to the Registered Bondholder (as on the record date) and claims, if any, shall be inter-se among the parties and shall not be against ITI.

SUCCESSION

On the demise of the sole holder of a Bond or the last survivor in case of joint bondholders, the title of any person(s) to the Bond may be recognized by ITI subject to the provisions of its Memorandum & Articles of Association.

1. The executors or administrators of a deceased sole holder of a Bond (whether a Hindu, Mohammedan, Parsi or otherwise) or the holder of a succession certificate issued under Part X of the Indian Succession Act, 1925 (39 of 1925) in respect of the bond shall be the only persons who may be recognized by the Office of the Issue (subject to any general or special instructions of the Prescribed Officer) as having any title to the bond.
2. Notwithstanding anything contained under Section 45 of the Indian Contract Act 1872 (9 of 1872), in the case of the bond issued, sold or held payable to or more holders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is holder of a succession certificate in respect of such bond shall be the only person who may be recognized by the Officer of Issue (subject to any general or special instruction of the Prescribed Officer) as having any title to the Bond.
3. The Officer of the issue shall not be bound to recognize such executors or administrators unless they shall have obtained letters of probate or letters of administration, as the case may be from a competent court or office in India, having effect as the place of situation of the Office of Issue, provided that in any case where the Prescribed Officer at his discretion thinks fit, it shall be lawful for him to dispense with the production of probate or letters of administration or other legal representation upon such terms as to identify or otherwise as he may think fit.

Where on the demise of the sole or last of the survivors of the joint holders, who is a resident, an NRI becomes entitled to the Bond, and the following steps have to be complied with:

Where on the demise of the sole or last of the survivors of the joint holders who is a non-resident another NRI becomes entitled to the bonds, the steps as stated earlier will have to be complied with. The holding of the inheriting NRI would be on the same basis as held by the NRI from whom the bonds are inherited.

- i. To the effect that the Bond was acquired by the NRI as part of the legacy left by the deceased holder.
- ii. Proof that the NRI is an India national or it's of Indian origin. Such holding by the NRI will be on a non repatriable basis.

PUT OPTION

The bond holder shall have no right to exercise 'Put Option', i.e. get them redeemed before the maturity period of the bonds

CALL OPTION

ITI shall have no right to exercise 'Call Option' of the whole or part of the bonds i.e. redeems them at par before the expiry of the maturity period.

FUTURE BORROWINGS

ITI shall be entitled, from time to time, to make further issue of Bonds and / or debentures and other such instrument and / or to raise further loans, advances and / or avail further financial and / or guarantee facilities in any manner having such ranking in priority, pari passu, or otherwise and change the capital structure including the issue of shares of any class, on such term and conditions as it may think appropriate without the consent of / or intimation to the bondholders. ITI shall, however, obtain prior consent of the Trustees.


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NOTICES

The notices to the bondholder(s) required to be given by ITI shall be deemed to have been given if sent by registered post/ speed post/ courier to the original sole or first allottees or registered holders of the Bonds as appearing in the records of ITI through its Registrar & Transfer Agent, as the case may be. All notices to be given by the bondholder(s) shall be sent by Registered Post or by hand delivery to ITI at its Corporate Office or to such person(s) at such address (es) as may be notified by ITI from time to time.

SPLITTING AND CONSOLIDATION

Any request from registered bondholder for splitting/ consolidating of the Bond Certificates will be entertained by ITI only if the Bond Certificate(s) are enclosed along with a letter of request. Bonds will not be split into denomination representing a face value of less than Rs.10,00,000/-

MODE OF TRANSFER

The Company is a Government Company within the meaning of Section 617 of the Companies Act, 1956. The Bonds will be transferable as per the Government guidelines contained in Notification No. G.S.R.1294 (E) dated 17.12.86 issued by the Government of India as may be amended from time to time.

The said guidelines provide that the provisions of sub-section (1) of Section 108 of the Companies Act 1956 in so far as it requires a proper instrument of transfer to be duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee, shall not apply with respect to Bonds issued by a Government Company, provided that an intimation by the transferee specifying his name, address and occupation, if any, has been delivered to the Company alongwith the certificate relating to the Bond, and if no such certificate is in existence, alongwith the letter of allotment of the Bond.

Bonds held in Dematerialised Form shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof.

RIGHT TO ACCEPT OR REJECT APPLICATION

ITI reserves the right to reject in full or in part any or all the offers/Letter of commitments/applications received by them from investors to invest in these Bonds without assigning any reason for such rejection. The application forms which are not complete in all respects are also liable to be rejected.

ELIGIBLE INVESTORS (WHO CAN APPLY)

The bonds are eligible for investment by:

- a. Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in Bonds.
- b. Registered Trusts authorised to invest in Bonds.
- c. Commercial Banks including Regional Rural Banks and Urban Co-operative Banks.
- d. Financial Institutions
- e. Mutual Funds
- f. Non-Banking Finance Companies, including Residuary Non-Banking Finance Companies.
- g. Insurance Companies and Port Trusts and
- h. Provident Funds, Superannuation Funds and Gratuity Funds.

APPLICATIONS BY MUTUAL FUNDS

The application must be accompanied by certified true copies of (i) SEBI Registration Certificate (ii) Resolution authorizing investment and containing operating instructions and (iii) Specimen signatures of authorised signatories.

APPLICATION BY INSURANCE COMPANIES

As per Circular No.32 (1)/INVT/93 Dated 20th September 1994 issued by the Insurance Division, Department of Economic Affairs, Ministry of Finance, Government of India, Insurance Companies are required to invest up to 10% of their net surplus funds in Government guaranteed securities. Hence insurance companies can invest in Government Guaranteed Bonds.

The application must be accompanied by certified true copies of: (I) Articles & Memorandum of Association / Other documents governing constitution (ii) Resolution authorising investment and containing operating instructions (iii) Specimen signatures of authorised signatories.


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APPLICATION BY TRUSTS INCLUDING RELIGIOUS AND CHARITABLE TRUSTS

Trusts whose Trust Deeds provide for investment in Bonds may apply to this placement of Bonds, subject to the approval of the Charity Commissioner or other appropriate authority as the case may be.

The Bonds being unconditionally and irrevocably guaranteed by the Government of India fall within Section 20(a) of the Indian Trusts Act, 1882 and hence are considered as eligible investment for Trusts which are registered under the said Act. Investment in Bonds of ITI will qualify as eligible investment under clause (vi) Section 11 (5) of the Income Tax Act, 1961 by religious /charitable trusts.

The application must be accompanied by certified true copies of (i) Trust Deed/Bye laws (ii) Certificate of registration (iii) Resolution authorizing investment and containing operating instructions (iv) Specimen signatures of authorized signatories (v) Certificate in Form No. 15AA or declaration in Form No. 15H, as the case may be, or exemption certificate under section 10 of the Income Tax Act, 1961 for non-deduction of tax at source or for deducting tax at a lower rate or nil rate on interest payments.

APPLICATION BY PROVIDENT FUNDS / SUPERANNUATION AND GRATUITY FUNDS

As per Notification dated March 31, 1999 issued by Ministry of Finance, Department of Economic Affairs, Government of India regarding investment of accretions of Non-Government Provident Funds, Superannuation & Gratuity Funds, these funds are permitted to invest their investible funds in avenues as under:

15%: Under category (ii) (b), the Bonds being fully and unconditionally guaranteed by the Government of India for payment of interest and repayment of principal.

40%: Under category (iii) (a), the Bonds being issued by ITI, which is a "Public Sector Company" as defined in Section 2(36A) of the Income-Tax Act, 1961.

20%: Under category (iv) for investment at the discretion of the Trustees in the above categories.

The application must be accompanied with certified true copies of (i) Trust Deed / Bye-Laws (ii) Resolution authorizing investment and containing operating instructions (iii) Specimen signatures of authorized signatories and (iv) Recognition Certificate from the Income-Tax Department.

APPLICATION BY COMMERCIAL BANKS

The Reserve Bank of India has clarified vide Circular No.DBOD/DIR/BC.4/13.07.05/94 dated 25.01.94 that the ceiling of 5% of incremental deposits for investment in equity shares and debentures by scheduled commercial banks will not apply to investment in bonds of Public Sector Undertakings.


The Reserve Bank of India has vide Circular No. MPD-BC 181/07 .01.279/98-99 dated 30.10.1998 introduced a 2.50% risk weight on Central / State Government securities and in securities guaranteed by them for the year ended March 2000. Further, an additional risk weight of 20% has been introduced in the government guaranteed securities of Government Undertakings with effect from financial year 2000-2001. In respect of outstanding stock of such portfolio as on March 31, 2000, the banks are implementing the same in two phases of 10% each in 2001-2002 and 2002-2003. Commercial Banks may also refer to RBI Circular No. DBOD.BP.BC.127/21.04.048/2000-01 dated 07.06.2001.

The application must be accompanied by certified true copies of (i) Letter of Authorization / Power of Attorney and (ii) specimen signatures of authorised signatories.

APPLICATION BY PRIMARY CO-OPERATIVE BANKS

The Reserve Bank of India vide its circular No. BR.CIR.72/16/20.00.93-94 dated May 16, 1994 has clarified that the Primary Co-operative Banks can invest their surplus funds upto 10% of their deposits in Bonds of Public Sector Undertakings. Hence, these Bonds are eligible for investments by primary co-operative banks.

The application must be accompanied by certified true copies of (i) Government Notification / Certificate of Incorporation / Other documents governing the constitution (ii) Resolution authorizing investment and containing operating instructions (iii) Specimen signatures of authorized signatories.


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APPLICATION BY REGIONAL RURAL BANKS (RRBs)

The Reserve Bank of India has permitted RRBs vide its Circular No. RPCD.RRB.BC.882/03.05.34/96-97 dated December 13, 1996 to invest their non-SLR surplus in PSU Bonds. However, RBI has vide circular No. RPCD (H)/04.03.06/98-99 dated 02.11.1998 clarified that single exposure norms would be applicable in respect of investments in debentures and bonds of PSUs. RBI vide Circular No. RPCD.RRB.BC: 71/03.05.67/99-2000 dated 23.03.2000 refixed norms to be on par with Commercial Banks.

The application(s) must be accompanied by certified true copies of (i) Government Notification/Certificate of incorporation/ Memorandum & Articles of Association/ Other documents governing constitution (ii) Resolution authorizing investment and containing operating instructions (iii) specimen signatures of authorized signatories.

HOW TO APPLY

All applications for the Bonds must be in the prescribed form and must be completed in block letters in English. Forms must be accompanied by either a demand draft or cheque, drawn and made payable in favour of "ITI Limited" and crossed "Account Payee Only".

Cheque(s)/ Demand Draft(s) may be drawn on any bank including a Co-operative Bank, which is situated at and is a member or sub-member of the Banker's clearing house located at the place where the application form is submitted. Outstation cheques, money orders or postal order will NOT be accepted.

The completed Application Form alongwith cheques/ demand drafts for the allocated amount and other necessary documents will have to be lodged with the Arranger(s)/ Procurer(s).

PROCEDURE FOR APPLICATION

The applications must be accompanied by certified true copies of (i) Trust Deed/ Bye-Laws/ Resolutions as the case may be, (ii) resolution authorising investment (iii) specimen signatures. Those desirous of claiming non deduction or lower deduction of tax on interest on application money are compulsorily required to submit in duplicate the relevant certificate issued by the Assessing Officer/ declaration along with the Application Form, as given below:

<u>Category of Investor</u>	<u>Nature of receipt</u>	<u>Form to be submitted</u>
Companies & firms	Interest on Application Money and Half-yearly Interest payments	15 AA
All investors (other than Companies & firms)	Interest on Application Money & Half-yearly Interest payments	15 G

SUBMISSION OF THE COMPLETED APPLICATION FORMS

Bankers to the issue

Applications duly completed and accompanied by cheque/ demand draft must be lodged before the closure of the Issue with the Bankers to the Issue or their designated branches as mentioned in the Information Memorandum.

Arrangers to the issue

Applications duly completed and accompanied by cheque/ demand draft may also be lodged with the offices of the Lead Arrangers as mentioned in the Information Memorandum. Application forms sent through courier/ post should reach the office of the Lead Arrangers before the issue closes for subscription.

Acknowledgements

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches and the Arrangers Offices receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the Acknowledgement slip at the bottom of each application form.


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DECLARATION BY THE COMPANY

The Company undertakes that:

- a. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
- b. All steps for completion of the necessary formalities for listing in time.
- c. ITI shall co-operate with the rating Agencies in providing true and adequate information.

TAX BENEFITS

To the Company

There is no additional benefit arising to the Company under the Income –Tax Act, 1961 by issue of bonds to the eligible investors.

To the Bondholders of the Company

A. Resident Bondholders

No Income Tax will be deducted at source from interest payable on Bonds in the following cases

- a) In Case of payment of interest to a Bondholder, who is an individual and resident in India, where the interest payment in the aggregate during the financial year does not exceeds Rs. 2,500/-
- b) Where the Bondholders (not being a company or a firm) submits a declaration (wherever applicable) in the prescribed form and verified in the prescribed manner.
- c) Where on application by any Bondholder, the Assessing Officer issues a certificate that the total income of the bondholder justified non deduction, as per provisions of Section 197 (1) of the Income Tax Act.
- d) Tax will be deducted at a lower rate where the Assessing Officer, on an application of any Bondholder, issues a certificate for deduction of tax at such lower rate as per provisions of the Section 197 (1) of the income Tax Act.

In all other situations, tax would be deducted at source on each payment as per prevailing provisions of the income Tax Act.

B. To the Non Resident Indians / OCB's

- a) Section 115 C of the Income Tax Act, gives an option to the non-resident Indian either to be assessed as per the normal provisions applicable to a resident Indian, or to be assessed under the special provisions of Chapter XII-A of the Income Tax Act.
- b) Tax will be deducted at source on interest at the rates as per prevailing Income Tax Act, 1961, or double Taxation Avoidance Agreement, whichever is lower, subject to submission of relevant documents and fulfillment of conditions as may be amended from time to time. Alternatively, to ensure non-deduction or lower deduction of tax source, as the case may be, the bondholder should furnish a certificate, from the Assessing Officer in the prescribed form, i.e. Form 15AA or Form 15E, which can be obtained by all application (including Companies and Firms)

C. To the Other Eligible Institutions

- a) Investment in bonds by charitable / religious trusts will qualify as eligible investments under Section 11(5) of the ITI Act.
- b) A mutual fund registered under the SEBI Act or regulations made there under or such other mutual fund set up by a public sector bank or a public financial institution or authorised by Reserve Bank of India and notified by the Central Government will, subject to the provisions of Chapter XII-E be exempted from income tax on all its income, including from investment in bonds under the provisions of Section 10(23D) of IT Act.
- c) Section 10(25) of the IT Act, inter alia, exempts from tax, any income received by a Recognized Provident Fund, an approved Superannuation Fund or an approved Gratuity Fund. As per the pattern of investment laid down in Rule 67 [as amended by Income Tax (Seventh Amendment) Rules, 1997] of the Income Tax Rules, Recognized Provident Fund. Approved Superannuation Funds and Approved Gratuity Funds can invest up to 40% of the “investible money” in any of the three permitted categories mentioned in the Rules, in the aggregate 60% of the


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“investible money” can be invested in the bonds / securities of the public financial institution. The subscription to the bonds being issued under this Offer Document, within the permissible limits, would satisfy the requirements of the said Rule.

Wealth Tax

Wealth Tax is not levied on investment in bonds of the Company under Section 2(ea) of the Wealth Tax Act, 1957.

Gift Tax

Gift Tax is not levied on gift of bonds of the Company in the hands of the donor as well as the donee because the provisions of the Gift Tax Act, 1958 have ceased to apply in respect of gifts made on or after October 1, 1998.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005
2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specified tax consequences of his / her participation in the scheme.

This is a summary only and not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of convertible debentures or ordinary shares. The statements made above are based on the laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

Important

1. Please read this Information Memorandum carefully before taking any action. The instructions contained in the accompanying Application Form (AF(s)) are an integral part of the conditions of this Information Memorandum and must be carefully followed; otherwise the application is liable to be rejected.
2. All inquiries in connection with this Information Memorandum or accompanying Application Form and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID no., the AF(s) number and the name of the first Bond holder as mentioned on the AF(s) and superscribed "**ITI Limited Bonds issue**" on the envelope) to the Registrars to the Issue at the following address:
3. It is to be specifically noted that this Issue of bonds is subject to Risk Factors appearing on page no. (i) of this Information Memorandum.
4. The Bonds Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum 90 days.
5. All Information in this Information Memorandum has been updated with Audited Figures upto 2004-05 and provisional Figures upto 30.09.2005 as the provisional figures are yet to be adopted by the AGM

IV. ITI LIMITED

Constitution

ITI Limited (ITI) was incorporated on 25.01.1950 under the Companies Act, 1956. ITI is a wholly owned Government of India (GOI) Public Sector Enterprise with net worth (-) Rs. 706 crores as on 31st March, 2005.

History, Background & Present Activities of the Company

ITI Limited, the first Public Sector Undertaking to be set up by the Government of India, a leading Telecom company engaged in design, development, engineering, manufacturing, supply & installation, commissioning, etc., of a wide range of Telecommunication equipment and systems. The company's annual turnover at present exceeds Rs.1215 crore. The company has six manufacturing units spreading all over the country. The Registered Office as well as the Corporate Office is located at Bangalore. In addition to the manufacturing units, the company has Regional Offices at all metropolitan cities for providing Value Added services like MRTS and VSAT. The authorised and paid up capital of the company as on 31.3.2005 are Rs.700 crore and Rs. 588 crore respectively.

Ownership

ITI is jointly promoted by Government of India and Government of Karnataka.

OBJECTIVES

- ◆ To ensure customer satisfaction and competitiveness through Quality, Delivery and Cost.
- ◆ To ensure optimum use of the resources for manufacture of the Telecom equipment and diversify into related areas in Telecom Network operations and value added services.
- ◆ To generate and exploit the export potential for Telecom Equipment and Services.
- ◆ To strengthen technology scanning capabilities to benchmark ITI's products/ services against global standards, identify new products, enable better make or buy decisions and identify potential partners.
- ◆ To build company-wide efficient information structure to assist all functional groups in achieving Corporate objectives and goals.
- ◆ To gear HRD activities to improve quality of work life in the organisation.

PRESENT OPERATIONS OF THE COMPANY

ITI manufactures a wide range of telecommunication equipments, which include Electronic Switching equipment, Transmission equipment, VSAT equipment, Telephone instruments of various types. In addition, it is also involved in the value-added services like VSAT & MRTS. ITI caters to the requirement of telecommunications of the Defence Ministry, as well. ITI's customers are the Department of Telecommunications, Defence, Railways, Electricity Boards and other corporate bodies. The company has Regional Offices located at all important cities of the country.

Telecommunication equipment are being manufactured either with the technical know-how acquired from the Collaborators who are the world leaders or by development within the Organisation in the Research & Development division.


ITI has formed two Joint Ventures viz. (1) India Satcom Limited, Bangalore which manufactures satellite equipment and also provides network solutions and (2) FIBCOM India Limited, New Delhi for manufacture of SDH Fibre Optic products.

ITI has received ISO 9000 accreditation for all its manufacturing units.

ITI has got excellent R & D facilities with qualified and talented manpower capable of taking up state-of-the-art Technologies in the area of Telecommunications. The Micro-Electronics and Computer Division at Bangalore is capable of manufacturing sophisticated VLSI/ Software/ Prototype development at the one-micron level. Presently this is the only facility of its kind in the country.

MAIN OBJECTS OF THE COMPANY AS PER MEMORANDUM & ARTICLES OF ASSOCIATION:

1. (a) To carry on in India or in any part of the world all kinds of business relating to the manufacture, assembly, fitting up, repairing, converting, overhauling, maintaining, rendering services of all and every kind and description, buying, selling, exchanging, altering, hiring, letting on hire, improving, repairing and dealing in telephone, telegraph, radio and railway signaling and facsimile equipment of all kinds and descriptions and in particular switching systems and apparatus including all equipment within central office, private branch exchanges or other similar switching centers for establishing, maintaining, and releasing telephone circuits including all related signaling, supervisory and


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controlling equipment, traffic control, remote control and regulating appliances together with instrumentalities for testing, observing and maintaining such equipment, equipment for registering, recording, controlling, computing or accounting of monetary charges or other factors pertaining to telephone, telegraph, radio and railway signaling and facsimile communications, all instrumentalities of types used on subscribers or other users' stations for furnishing telephone, telegraph, radio and railway signaling and facsimile services and for use by personnel engaged in the construction, maintenance or operation of the plant employed in giving such service equipment for transmitting signals and currents representing speech over a landline, a cable conductor or a radio link including carrier current equipment for producing modulated waves and transmitting such waves over a landline, a cable conductor or radio link and demodulating such waves and includes repeaters, echo suppressors, accessories, loading coils, filters and other instrumentalities for improving or controlling the transmission of signals or currents involved in telephone, telegraphs, radio and railway signaling and facsimile communications; and also to manufacture, sell, buy, repair, alter, and exchange, let on hire, export, import, and deal in all kinds of articles and things which may be required for the purposes of the business of the Company; and also to act as agents for Government or Public Authorities or for any manufacturers, merchants and others and to carry on agency business of any description connected with the company.

- (b) To acquire, provide, provide, construct, establish and maintain factories, workshops, buildings, machinery, warehouses and other conventions.
 - (c) To establish, maintain, and operate training schools for apprentices, artisans, engineers, mechanics or any employees or personnel employed or personnel employed in connection with any of the business of the company.
 - (d) To construct, erect, run, lay down, establish, fix and carry out all necessary cables, wires, lines, poles, strays and structures, cable chambers, manholes, ducts and distribution boxes.
 - (e) To manufacture plastics, plasticines, resins, and any other materials or substances.
 - (f) To manufacture, buy sell, exchange, and/or install, dry cells, relays, meters, lamps, condensers, valves, rectifiers and air-raid precautions equipment.
2. To carry on business of telephone engineers, telegraphs, radio and railway signaling and facsimile contractors, consulting engineers, mechanical engineers, machinists, fitters, millwrights, founders, wire drawers, enameters, electroplaters and painters, suppliers of telephone, telegraph, radio, railway signaling and facsimile equipment and apparatus electric, magnetic, galvanic and other apparatus.
 3. To manufacture, buy, sell, exchange, lease, install work, alter, improve, manipulate, prepare for import or export and otherwise deal in all kind of plant and machinery, apparatus, tools, utensils, substances, materials, computer systems and softwares and things necessary or convenient for carrying on any of the business which the company is authorised to carry on or usually dealt in by persons engaged in such business.
 4. To carry on in India and elsewhere the business of iron masters, steel makers, steel converters, manufactures of ferro-manganese, engineers, tinplate makers and iron founders in all their respective branches and to conduct workshops and/or foundries or iron and brass, wood and any other substances.
 5. To purchase, take on lease under licence or concession or otherwise, lands, buildings, works, licences, leases and any rights and privileges or interest therein and to explore, work, exercise, develop and to turn to account the same.
 6. To search for and to purchase or otherwise acquire from any Government, State or authority, and licences, concessions, grant, decrees, rights, powers, and privileges whatsoever which may seem to the Company capable of a being turned to account in consonance with the objects of the Company and to work, develop, carry out exercise, and to turn to account the same.
 7. To purchase, take on lease or in exchange or under amalgamation, licence concession or otherwise, absolutely or conditionally, solely or jointly with others and make, construct, maintain, work, hire, hold, improve, alter, manage, let, sell, dispose of, exchange lands, buildings, warehouses, works, factories, mills, workshops, railways sidings, tramways, engines, machinery and apparatus, water rights, way leaves, trade marks, privileges or rights of any description or any kind in consonance with the object of the company.
 8. To construct, execute, carry out, improve, work, develop, administer, manage, or control in India and elsewhere, works and conveniences of all kinds which expression in this Memorandum includes railways, tramways, improvement, sewage, drainage, sanitary, water, gas, electric lights, telephonic, telegraphic and power supply works, warehouses, buildings and all other works of conveniences whatsoever.
 9. To apply for, tender, purchase, or otherwise acquire any contract and concessions for or in relation to the construction, execution, carrying out, equipment, improvement, management, administration or control of works and conveniences and to undertake, execute, carry out, dispose of or otherwise turn to account the same.
 10. To enter into any contract, or arrangement for the more efficient conduct of the business of the Company or any part thereof and to sublet any contracts from time to time.


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We, the several persons, whose names and addresses are subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

NAME	Address	Number of Shares	Signature of Witness
Governor General of India by V.K.R. Menon, I.C.S. Secretary Ministry of Communications	Secretariat New Delhi	10000	K.V. Venkatachalam
A.F. Bennett, M.I.E.E.Jt.General Manager For and on behalf of the Automatic Telephone & Electric Co. Ltd.	Strowger House 8, Arundel Street London W.C.2 England.	6667	Chas. E Hay
V.K.R. Menon	Secretary, Ministry of Communications Secretariat (North Block) New Delhi	100	K.V. Venkatachalam
R. Narayanaswami	Joint Secretary to the Government of India Ministry of Finance (C) New Delhi	100	N.C. Bose

Dated Twenty-fifth day of January 1950

MANAGEMENT AND ORGANISATION

The Board

The general superintendence, direction and management of the affairs and business of ITI is vested in the Board of Director which exercises all powers and does all acts and things which may be done by ITI under the Memorandum and Articles of Association of ITI. The Board may direct that any power exercisable by it may also be exercised by the Chairman & Managing Director or other directors. As per the present constitution of the Board, the Chairman & Managing Director is to be assisted by the two whole time directors and other part time and independent directors.

BOARD OF DIRECTORS

Sr. No.	Name of the Director	Executive / Non Executive	Independent others	Representing / Nominee
1.	Shri. Y.K. Pandey	Executive	Independent	Appointed by GoI
2.	Shri. J.K. Verma	Executive	Independent	Appointed by GoI
3.	Shri. S.K. Chatterjee	Executive	Independent	Appointed by GoI
4.	Shri. Pritam Singh	Executive	Independent	Appointed by GoI
5.	Shri. Vijoy Kumar	Non Executive		Nominee of GoI
6.	Shri. Y.S. Bhawe IAS	Non Executive		Nominee of GoI
7.	Lt. Gen. Davinder Kumar,	Non Executive		Nominee of GoI

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	PVSM, VSM and Bar, ADC		
8.	Shri. Pankaj Agrawala, I.A.S.	Non Executive	Nominee of GoI

Details of other Directorships of Board of Directors

Name, Designation and Address of the Director	Age (Years)	Other Directorships
Shri Y.K. Pandey Chairman & managing Director ITI Limited R/o A-1, Central Avenue, ITI Township, Dooravaninagar, Bangalore -560016	59	Chairman, India Satcom Limited, Bangalore Chairman, Fibcom India Limited, Gurgaon Chairman, ITI Communications Pte Limited
Shri J.K. Verma Director- Production ITI Limited R/o A-12, Central Avenue, ITI Township, Dooravaninagar, Bangalore -560016	54	No other directorship
Shri. S. K. Chatterjee Director – HRD ITI Limited. R/o B-6, Central Avenue, ITI Township, Dooravaninagar, Bangalore -560016	56	No other directorship
Shri. Pritam Singh Director – Marketing ITI Limited. R/o A-3, Central Avenue, ITI Township, Dooravaninagar, Bangalore -560016	57	No other directorship
Shri Vijoy Kumar Director-ITI Limited Begusarai, Bihar	51	No other directorship
Shri Y.S. Bhave IAS Additional Secretary Dept of Telecommunications, R/o. C-11/44, Shah Jahan Road, New Delhi – 110 003.		No other directorship
Shri Pankaj Agrawala Director- ITI Limited Ministry of Communication and Information Technology, Department of Information and Technology, Room No. 4013, CGO Complex, Lodhi Road, New Delhi	49	No other directorship
Lt. Gen. Davinder Kumar, PVSM, VSM and Bar, ADC. 41, Lodhi Estate, New Delhi.		

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All the Director's have confirmed that there is no pending litigation/ disputes or criminal/ civil prosecution against them.

DETAILS OF MANAGING DIRECTOR'S COMPENSATION AND TERM

Basic Pay	Rs 29,250 (Scale 27,750-750-31,500)
D.A. (51.4%)	Rs. 15,034.00
H.R.A	Nil (staying in quarters)
C.C.A	Rs. 300.00
Total	Rs 44,584.00

Changes in the Directors in the last 3 years

The changes in the Board of Directors during the last three years are as below:

Name of Director	Date of Appointment	Date of retirement/ resignation	Reason
Dr. Vinay K. Dharmadhikari	25.09.2001	04.07.2002	Replaced by Shri Pamkaj Agrawala
Smt. Lakshmi Menon	12.10.2000	30.09.2002	Retired
Shri S.K. Manocha	21.08.1998	20.08.2003	Tenure of 5 years completed
Shri C.S. Verma	05.02.2002	31.08.2005	Appointed as Director-Finance – BHEL
Shri Pankaj Agrawala	04.07.2002	31.01.2004	Retired
Shri Y.K. Pandey	06.05.2003	Continue	Appointed as Chairman cum Managing Director
Smt. Anuradha Mitra			Replaced by Shri Bhawe
Lt. Gen. D P Sehgal			Replaced by Shri. Devendra Kumar
Shri. S.K. Chatterjee	03.02.1998	Continue	Appointed as Director HRD
Shri. Pritam Singh	23.03.1970	Continue	Appointed as Director Marketing.

Key Managerial Personnel

The key managerial personnel of the Company besides Managing Director are as follows:

Name	Age	Designation	Qualifications	Total Experience		Date of joining / Appointment	Previous employment
				Total	In ITI		
Shri Y.K. Pandey	53	Chairman cum Managing Director	ME (ELECTRICAL), BE (ELECTRICAL)		01y	06.05.2003	Centre for Development of Telematics, New Delhi
Shri J.K. Verma	53	Director-Production	BE(ELECTRONICS & COMMUNICATIONS)		29y	23.07.1974	-----
S K Chatterjee	54	Director – HRD	MSW [LW&PM/ BA [HONS] LLB		05	03.02.98	Senior Manager-IR, NTPC, New Delhi
Pritam Singh	57	Director - Marketing	ME/[PRODN]/ BSC [ENGG-MECH]		33	23.03.70	Asst. Driller, ONGC, Dehradun
Shri P.B.O. Warjri, IAS	47	Chief Vigilance Officer	MA International Studies)		01y	07.03.2002	Principal Secretary (Home) Government of Manipur, India
P.K. BOSE	54	Additional Director Operations	MTECH [IEOR]/ BE [MECH] / MA MGMTUK		29	21.10.74	Industrial Engineer, Sarabhai Chemicals
A.K. RAY	80	General	MTECH		26	16.06.77	Senior Technical

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		Manager – Rae Bareli Plant	[PRODUCTION]/ BE [MECH]				Officer, ECIL Hyderabad
Choudhury S	54	General Manager R&D	BTECH (HONS- E&E)/ ME (DIGEL) PGDBA		30	28.04.73	-----

Shareholding of Key Managerial Personnel:

The aggregate shareholding of the key managerial personnel of the Company and their relative as on 31st October, 2005 is nil

The Company does not have any bonus or profit sharing plan for the Key Managerial Personnel.

Changes in Key Managerial Personnel's in the last 1-year (except for superannuations) i.e. from Jan to Dec, 2003

Name	Designation	Transferred/ Posted as
B.Sen	AGM-F, NSU	Retired
B.P. Gupta	AGM-F, RB	as AGM-F, Mankapur
Ajit Prakash	AGM-RO -Mumbai	as in charge of NSU Delhi
S.K. Chatterjee	ADR- P&A, corp	as Director HRD
P. Vasudevan	ADR-P&A/IA	Resigned
P.K. Bose	ADR-PP, Corp	as GM – Bangalore Plant
D. Saha	ADR-PP, Corp	Resigned
P.K. Gupta	AGM-PP, Corp	Transferred to B.C., Delhi
Tejbir Singh,	In-charge of D.C. from Def. Co- ordn, Scope Minar, Delhi	As AGM Rae Bareilly

CORPORATE GOVERNANCE

In pursuance of Listing Agreement with the stock exchanges, the Company is furnishing herewith information on “Corporate Governance” for the benefit of shareholders.

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE: -

The concept of Corporate Governance is of considerable importance and is now universally accepted. While the primary responsibility is cast on the Board of Directors, there are various external agencies who are required to ensure that the principles of good Corporate Governance are effectively followed.


Right from inception, ITI Limited is committed to the practicing of the sound principles of effective and efficient Corporate Governance. It has striven to ensure that the cardinal precepts of transparency, accountability, integrity and responsibility are duly observed. While ITI Limited has been complying with all the mandatory and other requirements, it has been responsive to and sought to safeguard the interest of shareholders, customers, Government and other institutions with which it has business dealings and society as a whole.

The practices of ITI Limited on various parameters are described below.

2. BOARD OF DIRECTORS:-

The Board of Directors comprises of Chairman & Managing director, 4 Full Time directors, 3 Part-Time Directors from Ministry of Communications & IT and 1 Part-Time Director from Ministry of Defence, Government of India.

During the year, 8 Board Meetings were held on 28.04.2004, 10.07.2004, 29.07.2004, 30.08.2004, 29.10.2004, 07.01.2005, 28.01.2005 and 11.03.2005.


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The composition of Directors, their attendance at the board meeting 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 Directorship	No. of Board meetings attended	Attendance at last AGM	Attendance at last EGM	Number of other Directorship
Shri. Y.K Pandey	CMD	8	Yes	Yes	3
Shri. S.K. Chatterjee	DR - HR	N.A	N.A	N.A	1
Shri. J.K Verma	DR – P	8	Yes	Yes	Nil
Shri Pritam Singh	DR – M	N.A	N.A	N.A	2
Shri C.S Verma	DR - F	8	Yes	Yes	N.A
Shri Lt Gen Davindar Kumar	PartTime	2	No	No	2
Shri. Vijoy Kumar	Part time	7	Yes	Yes	1
Smt. Anuradha Mitra	Part time	6	Yes	N.A	N.A
Shri. Pankaj Agrawala	Part time	3	No.	No	2

Nature and Interest of Directors

No Director of the Company is interested in the appointment of the Lead Arrangers and Registrars. No Directors of the Company is interested in any property acquired by the Company within two years of the date of Information Memorandum or proposed to be acquired by it.

The Directors of the Company, apart from re-imbursement of expenses incurred and normal remuneration/ sitting fee from the Company and their shareholding in the Company, if any, have no other interest in the Company.

PARTICULARS OF NEW DIRECTORS AND DIRECTORS RETIRING BY ROTATION AND BEING RE-APPOINTED:

NEW DIRECTORS:

Shri. Y.S. Bhawe IAS, would be disclosed on approval of the Annual Report by the Shareholders of the Company.

Lt. Gen. Davinder Kumar PVSM, would be disclosed on approval of the Annual Report by the Shareholders of the Company.

Shri S. K. Chatterjee, would be disclosed on approval of the Annual Report by the Shareholders of the Company.

Shri. Pritam Singh, would be disclosed on approval of the Annual Report by the Shareholders of the Company.

DIRECTOR RETIRING BY ROTATION AND BEING RE-APPOINTED:

Shri. Pankaj Agrawala, is a part-time Director representing DOT since January 2001. She has got rich experience of over 15 years with Department of Telecommunications. She is a Cost Accountant, Master of Arts in Economics and also has done her Masters Degree in Public Administration from Harvard University, Cambridge.

Shri. J.K Verma, has taken over the change of the post of director-Bangalore Plant with effect from 6th November, 2002. Shri. J.K Verma holds a Bachelor Degree in Engineering (Electronics and Communication). Shri. J.K Verma was earlier working as Additional Director (Projects and Planning) in ITI.

3. AUDIT COMMITTEE:

There exists a qualified and independent Audit committee under the Chairmanship of Shri Pankaj Agrawala. The other members of the Committee are Shri Vijoy Kumar and Shri. Y.S. Bhawe IAS

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.


CMD

The Committee met on 29th April 2003, 31st July 2003, 31st October 2003 and 30th Jan 2004. Director – Finance, additional Director (IA), Additional General Manager (CF), Deputy General Manager (Internal Audit), Company Secretary, representatives of Statutory Auditors and other Executives as considered necessary, generally, attend these meetings.

4. SHARES AND BONDS TRANSFER COMMITTEE

The Shares and Bonds Transfer Committee is a single member Committee headed by Director – Finance. The Committee approves transfer/transmission of shares/bonds, split/consolidation proposals and other related work. Shri K. Ramaswamy, Company Secretary, is the Compliance Officer.

5. INVESTORS' GRIEVANCE COMMITTEE

The Board has constituted an Investors' Grievance Committee under the Chairmanship of Shri. Vijoy Kumar. The other member of the Committee is Shri. S.K Chatterjee. The committee looks into the grievances of the investors of the Company.

The Company has a shareholders base of 33000. During the year 29 complaints in the nature of non-receipt of share certificates after effecting transfer, requests for issue of duplicate share certificates, non-receipt of Annual Report were received from the shareholders. All the complaints were resolved to the satisfaction of the shareholders. ITI has received a certificate of appreciation for Nil Investors Complaints pending from both Bangalore and Bombay Stock Exchanges.

6. GENERAL BODY MEETING:

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

DATE	TIME	VENUE
30.11.2005(AGM)	10.30 A.M	GURUNANAK BHAVAN, BANGALORE
18.03.2005(EGM)	10.30A.M	GURUNANAK BHAVAN, BANGALORE
29.09.2004	11.00 A.M.	GURUNANAK BHAVAN, BANGALORE
30.09.2003	11.00 A.M.	GURUNANAK BHAVAN, BANGALORE
30.09.2003 (EGM)	12.00 P.M.	GURUNANAK BHAVAN, BANGALORE
27.05.2003	11.00A.M	GURUNANAK BHAVAN, BANGALORE
27.09.2002	10.00 A.M.	GURUNANAK BHAVAN, BANGALORE

7. DISCLOSURES:

There were no transactions of material nature with the Directors or the management or their relatives during the year. There were no instances of non-compliance on any matter related to the capital markets during the last three years.

8. MEANS OF COMMUNICATION:

The unaudited quarterly results, audited financial results of the Company and the Shareholding Pattern are communicated to the shareholders on a quarterly basis, through the Company's website, www.itild-india.com and EDIFAR-SEBI website www.sebidifar@nic.in, press release etc. The quarterly unaudited results are also published for the information of the shareholders in leading national newspapers, intimation to stock exchanges as required under the Listing Agreements and Press releases.

9. GENERAL SHAREHOLDERS INFORMATION:

The 55th Annual General Meeting of the members of the company was held on wednesday, the 30th November 2005 at 10.30AM, at Gurunanak Bhawan, Bangalore –52.

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

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

The share transfer books would remain closed during the period from 23rd November, 2005 to 30th November 2005 (both days inclusive).

10. ITI CODE FOR PREVENTION OF INSIDER TRADING:


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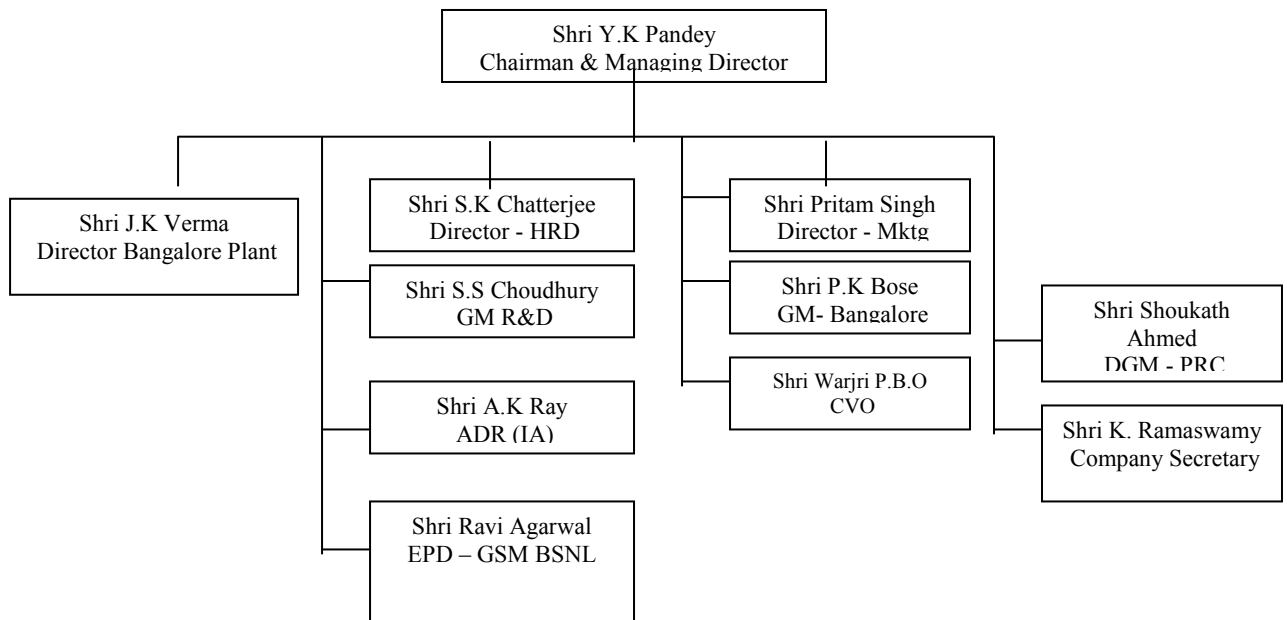
ITI has adopted a Code of conduct for Prevention of Insider Trading in the shares of the Company. The ITI Insider trading Rules, interalia, prohibits purchase/ sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

11. SHARE TRANSFER SYSTEM:

The requests for share transfer, transmission, etc. are processed by Alpha Systems Private Limited., Registrars and Share Transfer Agents and a memorandum of transfer is sent 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 dispatch the duly transferred share certificates to the shareholders concerned. The average time taken for processing share transfer requests including dispatch of share certificate in 30 days, while it takes minimum of 15 days for processing dematerialization requests by the Share Transfer Agents. Shri K. Ramaswamy, Company Secretary visits the Office of the Registrars & Share Transfer Agents periodically to monitor, supervise and ensure that there are no delays or lapses in the system.

As on 31st March 2004, a total of 1,88,72,457 shares of the Company, which forms 93% of the disinvested portion of 22.98% (20219310) of the share capital of the Company stands dematerialized. The shares held by President of India (67468190) and Governor of Karnataka (312500) aggregating to 77.02% are in physical form.

ORGANISATION CHART



ITI Limited, the first Public Sector Undertaking to be set up by the Government of India, a leading Telecom company engaged in design, development, engineering, manufacturing, supply & installation, commissioning, etc., of a wide range of Telecommunication equipment and systems.

DETAILS OF JOINT VENTURE COMPANIES FLOATED BY ITI LIMITED

i) INDIA SATCOM LIMITED

Date of Incorporation	05.10.1987		
Nature of Activity	Manufacturing of Satellite based communication equipment		
Financial Information	(Rs.)		
For the year ended	31/3/2003	31/03/04	31/3/2005
Total Income	109353026	161018478	120652372
Profit/ (Loss) after tax	(19844803)	(6608040)	(6591188)
Share Capital	33056800	33056800	33056800
Reserves (excluding revaluation reserves)	45879949	39184417	32593229

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Earning Per Share (Rs.)	(6.00)	(2.03)	(1.99)
Book Value per share (Rs.)	21.65	20.18	19.85

Shareholding pattern of INDIA SATCOM LIMITED as on 31.03.2004 is as follows :

Name	No. of shares	Shareholding (%)
ITI Limited	1619783	49%
UTI	363625	11%
EPIC NETHERLANDS	1322272	40%
TOTAL	3305680	100.00%

The Company has not made any public / rights issue in the last 3 years. The shares of INDIA SATCOM LIMITED are not listed on any of the Stock Exchanges.

INDIA SATCOM LIMITED has no subsidiary.

Share Quotation: India Satcom Limited is not a listed company.

(ii) FIBCOM INDIA LIMITED

Date of Incorporation	09.12.1994		
Nature of Activity	SDH & PDH based Products		
Financial Information	(Rs.)		
For the year ended	31/3/2002	31/3/2003	31/03/04
Total Income	2,085,954,367	1,420,066,064	1,395,793,738
Profit/ (Loss) after tax	174,339,448	123,684,246	70,610,085
Share Capital – Equity	115,000,000	115,000,000	115,000,000
Share Capital – Preference	-	-	-
Reserves (excluding revaluation reserves)	402,584,044	493,408,709	564,018,794
Dividend (%)	-	20%	-
Earning Per Share (Rs.)	15.16	10.75	6.14
Book Value per share (Rs.)	45.00	52.90	59.04

Shareholding pattern of Fibcom India Limited as on 31st August, 2004 is as follows:

Name	No. of Shares (in lakhs)	Shareholding (%)
ITI Limited	4600000	40%
Tellabs	4600000	40%
IFU Denmark	2300000	20%
TOTAL	11500000	100%

FIBCOM INDIA LIMITED has not made any public / rights issue in the last 3 years.

FIBCOM INDIA LIMITED has no subsidiaries.

Share Quotation: FIBCOM INDIA LIMITED is an unlisted company.

(ii) ITI COMMUNICATIONS PTE. LTD

Date of Incorporation	30.12.1992		
Nature of Activity	Company under the verge of closure		
Financial Information	(Rs. in lakhs except per share data)		
For the year ended	31/3/2001	31/3/2002	31/3/2003
Total Income	No business transaction in the last 3 years, since the process of winding has started . The loss to ITI from this joint venture is only to the extent of its investment of Rs.9.77 lakhs, which has already been written off with the approval of the Board.		
Profit/ (Loss) after tax			
Share Capital – Equity			
Share Capital – Preference			
Reserves (excluding revaluation reserves)			
Dividend (%)			

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Earning Per Share (Rs.)	
Book Value per share (Rs.)	

SUBSIDIARIES OF THE COMPANY / COMPANIES UNDER THE SAME MANAGEMENT

ITI LIMITED does not have any subsidiary.

MANUFACTURING FACILITIES & PRODUCTS

PRODUCTS RANGE

SWITCHING EQUIPMENT:

ALCATEL E 10 FAMILY:

E-10 B (OCB-181) – Large Exchange Switch; capacity Upto 40,000 lines with 1st level remoting.

1000 E-10 (OCB-283) – Large Exchange Switch; Capacity upto 200, 000 lines with ISDN, V5.2 interface and 1st & 2nd level remoting, variety of signaling including CCs No. 7.

1000E-10 (OCB-283) – Digital Trunk Automatic Exchanges; 60,000 circuits with a full variety of signaling including CCS No. 7

C-DOT DSS (Centre for Development of Telematics – Digital Switching System) Family:

256 RAX – Rural Automatic Exchange: 176 lines + Digital Trunks (variable configuration)

SBM-RAX – Single Base Module RAX: Capacity – 1500 lines and 128 trunks

MAX-XL, Large Exchange Switch: Capacity – 40,000 lines with SSP for IN service, ISDN, V 5.2 Interface, variety of signaling including CCS No. 7, 1st level remoting.

OTHER SWITCHES:

LDBX-11; capacity 1520 extensions, 256 junctions, 16 Op. console with DID facility

CTMX (Computersied Trunk Manual Exchange)

TRANSMISSION EQUIPMENT:

RADIO EQUIPMENT:

Digital Microwave PHD: 2, 7, 8 & 13 GHz Bands

Digital Microwave SDH: 6, 11 GHz Bands

Digital UHF: 10 Channels

Single Channel Radio Relay in VHF Band

LINE EQUIPMENT:

Digital Multiplex Equipment: I/II/III/IV Order Mux digital Cross Connects

ADOPM Equipment

SATELLITE COMMUNICATION EQUIPMENT:

Digital MCPC, IDR equipment.

Transportable Satcom earth Stations (Digital SCPC with DAMA), for Defence sub systems.

OPTICAL EQUIPMENT:

PHD Family: Optimux 2/8 Mb/s, 2/34 Mb/s, 2/140 Mb/s

SDH Family: STM-1 with ADM & SDCC, STM-4 with ADM and SDCC

STM-16 with ADM and SDCC (Synchronised Digital Cross Connected)

ACCESS EQUIPMENT:

TDMA PMP multi access rural radio – 27 time slots shared by 256 subscribers plus 40 DELs

DLC-PHD/SDH


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HDSL
ADSL
Pair Gain (0+4)
WLL
Cor DECT

CUSTOMER PREMISES EQUIPMENT:

Telephone: Electronic Push Button Telephone – Decadic, DTMF, Switchable, Feature Phone, Handsfree Phone, Executive Secretary Phone, field Telephone (for Defence) and Magneto Telephone (for Railways)

ISDN Telephone
Pay Phones
Video Conferencing Equipment

INFORMATION TECHNOLOGY PRODUCTS & SERVICES:

Routers, Modem, ATM Switches
Computer Telephony Integration
Internet Telephony
Networking/system Integration
Public Tele-information Centers
IT Education
Internet Pay Phone

MISCELLANEOUS EQUIPMENT:

Network Synchronisation Equipment
Solar Panel Based Power Systems, Power plants & Invertors
MDFs and DDFs
(Main Distribution Frames, Digital Distribution Frames)
Railway-Crossing Alarm
SMPS (25/100 Amps)
SCADA Systems
Network Management Systems (NMS)
Control Equipment
64 kbps data card

MANUFACTURING FACILITIES:

BANGALORE PLANT:

ITI Limited
Dooravaninagar, Bangalore – 560 016 Ph: (91)(80) 8511211
Fax: (91)(80) 8511724,
Email: iti_bgp@itiltld.co.in

MANKAPUR PLANT:

ITI Limited
Mankapur-271 308. Dist. Gonda, U.P. Ph: (91)(05266) 22202
Fax: (91)(5266) 22143/22179,
Email: iti_mkp@itiltld.co.in

NAINI PLANT:

ITI Limited
Mirzapur Road, Naini, Allahabad – 211 010, U.P
Ph: (91)(532) 697401-08, Fax (91)(532) 697345/696008

RAE BARELI PLANT:

ITI Limited
Doorbhash Nagar, RAE BARELI – 229 010 U.P
Ph: (91)(535) 202603, Fax: (91)(535) 202454
Email: iti_rbl@itiltld.co.in

PALAKKAD PLANT:

ITI Limited
Kanjikode West, Palakkad – 678 623, Kerala
Ph: (91)(491) 560010-13, Fax: (91)(491) 566009
Email: iti_pkd@itiltld.co.in

SRINAGAR PLANT:

ITI Limited
Hyderpara, New Airport Road, Peer Bagh, Srinagar – 190
014, J&K


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MARKETING STRATEGY OF ITI LIMITED

At ITI, technology upgradation is the key to satisfy changing needs of communications. The Company's innovative R&D skills for customised solutions and select alliances and collaborations have equipped ITI with a cutting edge. The new products and technologies include:

SWITCHING:

- ISDN EPABX
- Intelligent Network (IN)
- ATM Switches
- Network Management System (NMS)

ACCESS:

- High bit rate Digital subscriber Loop (HDSL)
- Wireless in Local Loop (CDMA)
- Digital Loop Carrier (SDH)
- DECT (Digital Enhanced Cordless Telephone)
- GSM (Global System for Mobile)
- ADSL (Asymmetric Digital subscriber Loop)

TRANSMISSION:

- 27/256 MARR (TDM/TDMA) system for Rural Telecom
- Optimux 2/8Mbps/ 2/140 Mbps
- VSAT with Digital SCPC DAMA/PAMA (for Defence & DTS)
- SDH Fiber Optic System (STM 1,4,16) and Add Drop MUX
- WDM (Wavelength Division Multiplexing)
- Passive Optical Network (PON)

SUBSCRIBER PREMISES EQUIPMENT:

- New Feature Telephones
- Ruggedised Telephones (Defence)

MICROELECTRONICS & SOFTWARE:

- ASICs
- Application oriented software

INFORMATION TECHNOLOGY:

- Billing and customer care
- Internet Kiosk
- Call Centers
- Networking
- IT Education
- IVRS
- Structured Cabling
- Network Management

SERVICES:

- Basic and Value-Added Services

In order to meet the emerging needs of the customers, ITI has select strategic alliances and joint ventures. Some of these are:


CMD

JOINT VENTURES

- India Satcom Ltd, Bangalore
(EPIC, USA & UTI, India) for satellite communication
- Fibcom India Ltd. New Delhi
(Tellab & IFU, Denmark) for fiber optic communication equipment (SDH)

TECHNICAL COLLABORATIONS/ALLIANCES

- ALCATEL, France : Large Digital Switches, DLC (SDH)
- C-DOT, India : Small, Medium & Large Digital Switches
- NERA, Norway : Microwave Equipment
- Tellabs, Denmark : PDH/SDH Fiber Optic systems
- ASCOM, Switzerland : Switch Mode Power Supply
- Siemens, Germany : ISDN EPABX
- VCON, Israel : Video Conferencing
- Lucent Technologies : GSM Mobile Communication System & CDMA

ANTICIPATING FUTURE CUSTOMERS' NEEDS TODAY

ITI claims to have the right answer to every need of the customer. The pro-active and synergistic efforts of marketing, R&D and production divisions crystallise, customize and offer ideal solutions. ITI even goes further, taking care of the customers needs during the useful life of the products and services. Besides specialized products for Indian Railways, ITI manufactures a wide range of ruggedised telecom products for defence and paramilitary use. ITI's emphasis is not only to integrate the satiate and implied needs of its customers today, but also to anticipate their needs of tomorrow as well. Hence customers' need, right from conceptualisation to field service is the company's prime focus. ITI has

- Developed indigenous technologies for Department of Telecom Services, Defence and other organizations and for rural applications.
- Adopted and upgraded technologies to suit Indian conditions.
- Customized networks for special applications in State Electricity Boards, Defence, Railways, etc.
- Designed, developed, installed and is maintaining the state-of-art static digital network of the Indian Army with centralized network management.
- Provided consultancy and solutions for overseas telecom networks.
- Undertaken / implemented projects on turnkey basis with maintenance support.

BRIDGING THE URBAN –RURAL DIVIDE

The National Telecom Policy aims at reaching every village through telecom. India has more than 0.6 million villages, of which only about 50% has a telephone service of any kind. ITI has designed and developed several products for rural applications. These products have been specially designed and proven for the most rugged tropical applications with minimum infrastructure requirement.

ITI's contribution to rural telephony

- Telephones
- Rural Automatic Exchanges – 3.22 Mn lines installed.
- Multiple Access Radio Relay (Analog)
- VHF/ UHF Radio Equipment
- Multiplexers
- Point to multi point Digital Radio Access System /(TDMA-PMP)
- VSAT solutions (under development)
- CORDECT with Voice and Internet facility
- CDMA

ITI – PLAYING THE GLOBAL MARKET


CMD

ITI has impeccable credentials to be a global player. With its excellent infrastructure, skilled manpower and efficient customer support, ITI is fully geared to reach the global market. ITI is represented in Singapore and Nairobi by its Joint Venture companies for addressing the South East Asian and African markets. Besides various projects in India, ITI has successfully executed turnkey projects overseas, in countries like Nepal and Uganda. ITI has exported ADPCM, Rural Exchanges, Telephones, spares for E 10 B exchanges, Single Channel VHF Radio, Multi Access Rural Radio (Analog and Digital both) and ASICs to countries in Asia, Africa and Europe.

Having acquired knowledge and experiences similar to those prevailing in SAARC and African countries, ITI offers consultancy for setting up of turnkey projects in developing countries. ITI also has a proven track record of providing ruggedised rural communications systems, which has found wide acceptance in India and several other countries.

ITI believes in maximum exploitation of existing networks by the enhancement of their useful life. ITI is in a position to offer extremely cost-effective alternative for network expansion and upgradation in countries where E-10B (OCB 181) is in operation. E-10B equipment has been upgraded by more than 30% and correspondingly increased its reliability.

MILESTONES

- 1948 First Public Sector enterprise to be set up in post-independent India, with assembly of 25,000 telephone instruments and equal number of exchange (Strowger) lines in technical collaborations with Automatic Telephone and Electric Company of England.
- 1950 Corporate status as Joint Stock Company
Diversification of product range with the production of Long distance Equipment.
- 1964 Manufacture of Crossbar (Electro-mechanical) automatic exchange equipment at Bangalore in collaboration with Bell Telephone Manufacturing Company, Belgium.
- 1971 Manufacture of Multiplex and associated transmission equipment for Trunk Services at Naini.
Components Manufacture plant at Srinagar (J&K)
- 1973 Telephone instrument plant at Naini.
- 1974 Strowger Switching Equipment plant at Rae Bareli.
- 1976 Manufacture of Electronic automatic Exchange at Palakkad.
- 1980 Crossbar, Switching Equipment plant at Rae Bareli.
- 1983 Manufacture of Electronic Exchanges of E-10B type of Mankapur in collaboration with ALCATEL, France.
Manufacture of Digital Trunk Automatic Exchange Equipment at Palakkad.
Manufacture of Multi Access Rural Radio Equipment at Naini in collaboration with Kokusai, Japan.
Agreement with Nippon Electric Corporation (NEC), Japan for a host of Long Distance Transmission Equipment.
- 1986 Established a Network Systems Unit exclusively to take care of installation and maintenance work.
- 1987 Manufacture of Small and Rural Electronic Exchange of C-Dot Technology at Electronic City, Bangalore.
Manufacture of Digital Coaxial system at Bangalore with know-how from AT&T Network Systems. Netherlands
Manufacture of Opto-Electronic Line Equipment at Naini, in collaboration with NKT, Denmark.
Joint Venture Company, India SATCOM Limited (ISL) set up with Equatorial Pacific International Company, Netherlands and Unit Trust of India, at Bangalore for manufacture of SATCOM Systems.
- 1991 Manufacture of IDR Modems at Bangalore with know-how obtained from Hughes Network systems, USA.

- 1992 Joint Venture Company, ITI Communications Pte. Ltd. (ITI-C) at Singapore to act as an expert wing of ITI products.
- 1993 Manufacture of Electronic Switching system OCB 283/CSN in collaboration with ALCATEL, France.
- 1994 Manufacture setup established at Delhi for SDH Transmission systems through Joint Venture Company – FIBCOM and Naini Plant.
The name changed to ITI Limited with new Corporate identity.

The Company restructured into Business Groups.
Turnover crossed Rs. 1,500 Cr. (US \$ 350 Mn.)
- 1996 ITI entered into V-SAT Services.
- 1997 Release of first 40,000 lines C-DOT MAX_XL Exchange of DoT.
Launching of MRTS
- 1998 ITI's turn-around after set back due to opening of economy. VLSI II One Micron FAB facility inaugurated at Bangalore plant.

ISO 9000 Accreditation process completed for all plants.
- 1999 ITI – ALCATEL, New Technology Agreement signed.

All time high physical production performance.

Turnover crossed Rs. 1600 Cr. (US \$ 400 Mn.)
- 2000 ITI attains Golden Jubilee.
- 2005 TOT Agreement to GSM infrastructure project with Alcatel

DEBT OUTSTANDING AS ON 31ST MARCH 2005

Sl No.	Particulars	Borrowings (Rs in lakhs)
1	CC & WCDL	24193
2.	Short Term Loans	
	a. Central Bank of India	10000
	b. Allahabad Bank	20000
3.	FRB	24000
4.	Bonds	57280
5.	Punjab National Bank	20000
	TOTAL	155473

DEBT SERVICING TRACK RECORD

ITI has a consistent record of paying principal instalments and interest on all loans, Bonds and deposits on due dates. There has been no default in servicing of debt.

PRINCIPAL TERMS OF LOANS AND ASSETS CHARGED AS SECURITY

The entire debt component consisting of cash credit limit, term loans, bonds, public deposits, commercial paper and floating rate bonds.

a) Secured Debentures

(Rs. in lakhs)

Description	Total Amount	Principal	Date of	Repayme	Interest	Assets charged as	Name of
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	of Debentures	Amount o/s as on 31/10/03	Allotment	nt schedule	(p.a.)	Security	Trustee
Government Guaranteed Bonds 'I' Series.	50,00,00,000	50,00,00,000	24.03.2003 & 31.05.2003 & 31.03.2004	At par in March, May, 2008 & March 2009	G Sec + 55BPS G Sec + 60 BPS 6.40% p.a.	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.	Canara Bank
Government Guaranteed Bonds 'J' Series.	150,00,00,000	150,00,00,000	10.01.2003	At par in January, 2008	6.40% p.a.		
Government Guaranteed Bonds 'L' Series.	94,00,00,000	94,00,00,000	31.03.2004	31.03.09	6.50% pa.		Canara Bank
Government Guaranteed Bonds 'M' Series.	238,00,00,000 (55,50,00,000 and 182,50,00,000)	238,00,00,000 (55,50,00,000 and 182,50,00,000)	26.07.2004 & 02.08.2004	26.07.09 & 02.08.09	5 Yr Gsec + 60 bps and 5 Yr Gsec + 75 bps		Canara Bank

b) Details of Term Loans

(Rs. In Crores)

Description	Amount o/s as on 31/03/2005	Repayment schedule	Interest % (p.a.)	Security offered
Central Bank of India	100	23.08.2005	9.00 %	PDC
Allahabad Bank	200	12.08.2005	7.50%	PDC
Punjab National Bank	200	30.04.2006	8.00 %	PDC
TOTAL	500			

c) Details of Working Capital Loans

(Rs. in crores)

Sl. No.	Name of Bank	Fund Based CC	Non Fund Based		Interest Rate %
			LC	BG	
1	STATE BANK OF INDIA	315	281	28	11.50% to 13.05%
2	BANK OF BARODA	76	60	16	
3	CENTRAL BANK OF INDIA	44	30	1	
4	STATE BANK OF MYSORE	53	53	3	
5	STATE BANK OF HYDERABAD	45	33	1	
6	STATE BANK OF BIKANER AND JAIPUR	30	32	3	
7	STATE BANK OF PATIALA	45	52	2	
8	PUNJAB NATIONAL BANK	46	48	36	
9	STATE BANK OF TRAVANCORE	32	8	18	
10	DEVELOPMENT CREDIT BANK LTD	24	35	17	
11	INDUS IND BANK LTD	20	20	0	
12	UTI BANK LTD	10	0	4	
13	VIJAYA BANK	45	37	6	
14	INDIAN BANK	10	5	5	
15	CANARA BANK	50	36	10	
	TOTAL	845	730	150	

REASONS FOR LOSSES IN THE LAST 3 YEARS

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ITI earned profit until 2001-02. During 2002-03, 2003-04 & 2004-05 it incurred loss of Rs.1048.30 crores. Reasons for the loss have been explained under internal risk factors regarding drop in profitability.

Auditor's Report

TO THE SHAREHOLDERS OF ITI LIMITED, BANGALORE.

We have audited the attached Balance Sheet of ITI limited as at 31/03/2005 and the profit and loss Account and also the Cash flow Statement for the year ended on that date annexed thereto. The Balance Sheet and the profit and loss account approved by the Board of Directors on 23/08/2005 and reported by us on by our report dated 26-08-2005, have been revised in the light of the observations arising from the audit by the Comptroller and Auditors General of India as reflected in note no.41 of the "Notes on Accounts". This report supercedes our report dated 26/08/2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material



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misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation, we believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003 issued by the Government of India, pursuant to sub section (4A) of the section 227 of the Companies Act, 1956, we enclose in the annexure on matters specified in para 4 and 5 of the aid Order.

1. 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.
2. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of those books. The Branch auditors' reports of Palakkad, Mankapur, Naini, Rae Bareilly and Srinagar not visited by us, have been forwarded to us and have been appropriately dealt with.
3. The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of accounts and with the audited returns of the branches.
4. In our opinion, subject to the points referred to in para 7 (v) a, b & c of this report, the Balance Sheet Profit and Loss Account and Cash Flow Statement dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act of 1956.
5. In terms of section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act, 1985 and in view of complete erosion of networth, we report that the Company is a 'Sick Company'
6. On the basis of written representations received from the directors, as on 31st March 2005, and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31st March 2005 from being appointed as director in terms of clause (g) of the sub-section (1) of section 274 of the Companies act, 1956.
7. In our Opinion and to the best of our knowledge and belief and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to:

7(a)	Company has recognized as income Rs. 470.48 crores as grant in aid received as part of revival package meant only to compensate the cost incurred. This has resulted in the loss for the year being understated by Rs. 234.01 crores.
(b)	Sundry debtors outstanding for more than 3 years, Rs. 115.63 crores
(c)	Other recoverables such as claims, loans and advances & other outstandings for more than three years amounted to Rs. 104.66 crores as 31-3-2005
(d)	Sales have been recognized on the basis of provisional prices to the extent of Rs. 283.40 crores and an ad-hoc basis to the extent of Rs. 45.40
(e)	The realisability of sundry debtors of Naini Unit against the financial issues for earlier years of Rs. 50 crores due from BSNL is unascertainable.
(f)	Inventory of the company comprising of dormant stock, work-in-progress, and stock-held-in-trade for two years and more aggregate to Rs. 112.90 crores.
(g)	Valuation of stock-in-trade of Rs. 5.67 crores and work-in-progress of Rs. 3.62 crores of Naini unit is at old basic rate and not in conformity with the norms laid down.
(h)	Provision for gratuity and leave liability ascertained on actuarial basis. The effect of the same is not ascertainable at present.
(i)	Rs.5.49 crores being outstanding under the head "Cenvat Account" requires reconciliation.
(j)	Balances in the accounts of creditors, debtors, claims and expenses recoverable, loans and advances, deposits, goods with third parties and other payables are subject to reconciliation, confirmation and consequential adjustments.
(k)	Interest and penalty liable, if any, for violation of the provision of Income Tax Act of 1961, for non-deduction of TDS of Rs. 3.86 crores by Naini unit could not be quantified.
(l)	Interest and penalty liable, if any, for non remittance of statutory dues on the sales recognized on provisional basis is not ascertainable.

Also any tax liability on the sales and transfer of assets has not been reckoned and accounted in the books. The impact of tax liability, if any, could not be assessed and quantified.


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Give a true and fair view:

- 1) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005.
- 2) In case of the Profit and Loss Account, of the loss for the year ended on that Date and
- 3) In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For M/s John Joseph & Mathew,
Chartered Accountants,

Place : Bangalore
Date: 20-10-2005

K.T. Mathew
Partner
Membership No. 19533

PART - I STATEMENT OF PROFIT

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	H1 05-06 (Prov)
Sales:						
Income from operations	214420.23	231716.88	179464.4	125657.00	131800.00	43300.00
Interest Earned	135.81	41.68	21.85	609.00	27.00	0.00
Other income	14934.07	18142	6663.85	20.00	50473.00	900.00
Increase\ (Decrease) in Inventories	4439.06	14136.31	-10528.25	-18392.00	-2700.00	-6600.00



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Total Income	233929.17	264036.87	175621.85	107894.00	179600.00	37600.00
Expenditure						
Material cost	128222.93	157380.83	123070.64	91227.00	114700.00	28400.00
Cost of Borrowings	16069.83	17126.4	15601.92	15797.00	20700.00	8800.00
Staff Cost	39800.80	40413.63	38872.51	36803.00	33700.00	14800.00
Administrative expenses	6818.66	7520.61	8063.63	4076.00	5898.00	4556.00
Selling & Distribution Expenses	1901.59	1444.59	816.61	1280.00	574.00	444.00
Other Expenses (Provision for bad debts/lease rentals)	33719.7	33131.65	22113.34	22887.00	30428.00	1100.00
Written Back Depreciation	4416.96	4506.14	4471.06	4204.00	3200.00	1400.00
Net profit before tax and prior period adjustments	2978.95	2538.02	-37387.86	-68380.00	-29600.00	-21900.00
Provision for Taxation						
Provision for Deferred Tax		179.51	-179.51	0.00	0.00	0.00
Net profit before prior period adjustments	2978.95	2358.51	-37208.35	-68380.00	-29600.00	-21900.00
Prior Period Adjustments	-224.06	-200.22	-278.3	-2203.00	-1400.00	0.00
Net Profit After Prior Period adjustment	2754.89	2158.29	-37486.65	-70583.00	-31000.00	-21900.00

Non-Recurring Income:

VRS reimbursement	0	7695.13	0	0.00	9310.00	
Waiver of Liquidated Damages	2660.72	2598.72	0	0.00	173.00	
Compensation from Supplier	0	422.09	0	0.00	0.00	
Compensation for Materials	0	130	0	0.00	0.00	
Withdrawal of liability for Wage Revision	5470	0	0	0.00	0.00	
Waiver of excess interest on GoI loan	575.42	0	0	0.00	236700.00	
Profit on sale of asset to DRDO				2465.00	0.00	
Claims on Suppliers	0	865.25	0	0.00	304.00	
	8706.14	11711.19	0	2465.00		
Non-Recurring Exp:						
VRS Expenditure	2087.98	5613.74	4934.74	24758.00	1572.00	
Less: Deferred VRS Expendr	1670.38	4489.69	3918.37	13505.00	0.00	
	417.6	1124.05	1016.37	11253.00	1572.00	
wage Revision Provision	0	0	0	0	0	
Total Non- Recurring EXP.	417.6	1124.05	1016.37	11253.00	1572.00	

Notes for which adjustments in the Statement of Profit has not been carried out:

7(a)	Company has recognized as income Rs. 470.48 crores as grant in aid received as part of revival package meant only to compensate the cost incurred. Thi has resulted in the loss for the year being understated by Rs. 234.01 crores.
(b)	Sundry debtors outstanding for more than 3 years, Rs. 115.63 crores
(c)	Other recoverables such as claims, loans and advances & other outstandings for more than three

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	years amounted to Rs. 104.66 crores as 31-3-2005
(d)	Sales have been recognized on the basis of provisional prices to the extent of Rs. 283.40 crores and an ad-hoc basis to the extent of Rs. 45.40
(e)	The realisability of sundry debtors of Naini Unit against the financial issues for earlier years of Rs. 50 crores due from BSNL is unascertainable.
(f)	Inventory of the company comprising of dormant stock, work-in-progress, and stock-held-in-trade for two years and more aggregate to Rs. 112.90 crores.
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(k)	Interest and penalty liable, if any, for violation of the provision of Income Tax Act of 1961, for non-deduction of TDS of Rs. 3.86 crores by Naini unit could not be quantified.
(l)	Interest and penalty liable, if any, for non remittance of statutory dues on the sales recognized on provisional basis is not ascertainable.

PART - II STATEMENT OF ASSETS AND LIABILITIES

Rs. in Lakhs

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
ASSETS:						
A. Fixed Assets						
Gross Block	92822.43	98034.01	98592.97	100646.11	100913.00	93182.00
Less: Depreciation	62688.13	66562.76	70895.12	74718.3	76765.00	73515.00
Net Block	30134.3	28971.25	27697.85	25927.81	24148.00	19667.00
Less: Revaluation Reserve	0	0	0	0	0.00	0.00
Net Block after adjustment of Revaluation Reserve	30134.3	28971.25	27697.85	25927.81	24148.00	19667.00
B. Capital Work-in-Progress	1948.23	1031.5	1230.09	598.09	125.00	417.00
C. Investments	510.32	510.32	500.80	500.80	501.00	501.00
D. Current Assets, Loans & Advances						
Inventories	84962.49	86671.5	104737.65	87111.05	63753.00	55283.00
Sundry Debtors	98910.58	102759.6	127277.18	140452.04	118915.00	142022.00
Cash and Bank Balances	3025.39	2063.03	4662.97	4987.49	3995.00	17741.00
Loans and Advances	15857.23	16612.15	30926.17	29707.45	22746.00	27074.00
Other Current Assets	0	0	0	0	0.00	0.00
E. Liabilities and Provisions						
Current Liabilities and Provisions	103560.76	97233.82	138065.31	141350.79	135604.00	158072.00
Secured Loans	97070.24	97419.27	101399.47	81788.53	101264.00	87990.00
Unsecured Loans	8891.14	20565.81	27983.34	60702.06	74519.00	75020.00
Grant-in-Aid	11981.01	11607.65	11285.79	9283.06	6922.00	15508.00
Deferred Tax	0	0	-179.51	0	0.00	0.00

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Networth	13845.39	11792.8	18119.04	-3839.96	-84126.00	-73800.00
Represented by						
1. Share Capital	8800	8800	18800	38800	38800.00	58800.00
2. Reserves	5684.05	7953.9	9672.19	6432.54	6432.00	6432.00
Less: Revaluation Reserve	0	0	0	0	0.00	0.00
Reserves (Net of Revaluation Reserves)	5684.05	7953.9	9672.19	6432.54	6432.00	6432.00
Less: Misc. Exp to the extent not w/o Profit and Loss A/c (Debit)	638.66	4961.1	10353.15	14825.5	24528.00	3305.00
Networth	13845.39	11792.8	18119.04	-3839.96	-84126.00	-73800.00

SCHEDULE 10 NOTES ON ACCOUNTS (as appearing in Audited Accounts as on 31st March 2005 of the Company)

		Rs. in Crores	
SL. NO.	SUBJECT IN BRIEF	Current Year	Previous Year
1.	Estimated amount of contracts remaining to be executed on capital account and not provided for	1.25	0.06
2.	Contingent Liability in respect of		
	- Outstanding letters of credit	276.34	15.43
	- Sales Tax Demand	76.56	6.95
	- Disputed Excise Duty Demand/CENVAT Disallowance	25.75	22.29
	- ESI Demand	0.00	0.69
	- Custom duty paid under protest	0.00	0.78
3.	Claims against the Company not acknowledged as debts	6.50	16.47
4.	Negative balances included under inventories pending reconciliation	1.47	1.17
5.	Claims included in Sales, pending billing. Impact on profit not ascertainable.	8.10	20.05
6.	a) Expenditure on Public Relations	1.03	1.39
	b) Expenditure on Staff and Establishment included in (a) above	0.73	1.24
	c) Ratio of the expenditure on Public Relations to the annual income	0.07%	0.11%
7.	a) Balances in the accounts of creditors, debtors, advances from customers, Claims recoverable, loans and advances, materials with fabricators, sub-contractors/others, material in transit, deposits, Loan Creditors, Sales Tax, Central Tax, Excise Duty, Modvat are under confirmation/reconciliation. Expenditure on LTC/LLTC is accounted on the basis of claims by b) employees.		
8.	Entry Tax is paid on actual receipt of material in stores.		
9.	A list of small scale industrial undertakings to whom the Company owe any sum together with interest outstanding for more than 30 days to the extent identified are annexed.	Annexed	
10.	The net exchange differences arising during the year -		

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	(i) Net Gain/ (Loss) appropriately recognised in the Profit & Loss account.	3.6	0.76
	(ii) Net Gain/(Loss) adjusted to the carrying cost of fixed assets	0.00	0.00
11.	Sales includes Rs.328.80 Crores for supply of Switching, Transmission, Terminal and Access Products on provisional basis and variation, if any, will be accounted on the determination of final prices. Impact on profit not ascertainable	328.80	111.50
12.	Compensation to employees of the company opting for Voluntary Retirement will be charged off over a period of 5 years including the year of option. The expenditure on VRS for 2003-04 was Rs.191.64 Crores and Rs.9.80 Crores (being 1/5th) and Rs.0.36 Crores pertaining to the earlier years was charged off in P&L Account for the year.	15.72	0.00
13.	Where firm rates for sales are not established accounting for refund/adjustment of Excise Duty/Sales Tax is on provisional basis.		
	Fixed Assets		(Years)
(i)	(a) Building (other than factory buildings)		50
	(b) Factory building		28
	(c) Purely temporary erections		Year of construction
	(d) Building with dwelling units each with plinth area not exceeding 80 sqm.		13
(ii)	Furniture & Fittings		10
(iii)	Plant & Machinery		
	(a) General Rate (on double shift basis)		10
	(b) Special Rate: - Data Processing Machines including Computers		6
(iv)	Roads and compound Walls		10
(v)	Office Machinery and Equipment		7
(vi)	Vehicles		7
(vii)	Assets costing less than Rs. 5,000/- are depreciated @ 100% 'However, in respect of assets having original cost of Rs.50, 000/- and above, a residual balance of Rs.5/- has been retained in the books.		
15.	Other Income includes Rs.3.03 Crores being compensation relating to Srinagar unit losses for the year 2002-03 awaiting reimbursement from Ministry of Communications	5.99	3.03
16.	Insurance and Customs duty claims are accounted as and when the claims are accepted by the respective authorities.	NIL	NIL
17.	Deposits of Rs.0.29 Crores, fallen due and not claimed for refunds, is shown as current liabilities as at 31.03.2003.	0.30	2.91
18.	The company is engaged in the business of manufacture and sale of telecommunication equipments and there are no separate reportable segments as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.		
19.	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, Fibcom India Ltd and ITI Communications Pte. Ltd, Singapore.		
	Purchase of goods\Services	12.76	29.65
	Sale of goods\Services	0.57	4.95
	Amount Outstanding		
	- Due from the related party	2.73	3.33
	- Due to the related party	12.43	25.51
	Provision for doubtful debts against dues from related party existing as at the year ended 31st March 2003	0.93	0.93

20.	The future minimum lease payments under non-cancellable operating lease payable as per the respective agreements entered into are as follows.		
	i) Not later than 1 Year	0.71	1.13
	ii) Later than 1 year and not later than 5 years	2.56	3.45
	iii) Later than 5 years	4.97	2.88
21.	In the light of declared loss in the operations of the company in 2003-04, no deferred liability or asset is set up as prudent policy adherence.		
	The deferred tax assets and liabilities as on 31st March comprise of:		
	<u>Deferred Tax liability:</u>		
	Miscellaneous expenditure not w/o	0.00	0.00
	Transfer of Technology charges	0.00	0.00
	Capital R&D expenditure	0.00	0.00
	Total A	0.00	0.00
	<u>Deferred tax assets:</u>		
	Depreciation	0.00	0.00
	Provision	0.00	0.00
	Total B	0.00	0.00
	Deferred Tax Liability (A-B)	0.00	0.00
22	<u>Long -Term Construction/ Turnkey Construction Contracts:</u>		
	The company for the financial year 2002-03 has recognised revenue on Long-Term 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 is Rs.458.81 Crores.	458.81	156.2
	ii. Aggregate amount of cost incurred upto reporting date	569.5	1083.36
	iii. Profit (Net of Loss, if any) recognized upto reporting date	28.07	-16.28
	iv. Amount of advances received	71.98	76.02
	v. Amount of retention money , if any	0.00	0.00
	vi. Sundry debtor as at the end of the period pertaining to the contracts	401.46	308.17
	vii. contract WIP as at 31 mar 2004	19.44	23.34
23.	JOINT VENTURES:		
	The financial reporting of interests in Joint Ventures as per AS-27, the Joint Ventures of the company come under the category of Joint controlled entities. The 3 Joint Ventures of the company are:		
a.	India Satcom Limited No.2, Kadugodi Industrial Area, Whitefield, Bangalore - 560 067 Company's stake in equity participation-49% Place of incorporation of JV-India		
b.	Fibcom India Limited 77-A, Sector-18, Gurgaon - 122015 Company's stake in equity participation-40% Place of incorporation of JV-India		
c.	ITI Communications Pte Limited No.5, Shenton way, #27-01, UIC Building, Singapore-068808 Company's stake in equity participation-49% Place of incorporation of JV-Singapore		
d.	Aggregate amount of the assets	38.12	44.64
	Aggregate amount of the liabilities	38.12	44.64

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Aggregate amount of the income	30.08	58.63
Aggregate amount of the expenses	30.30	56.14

(The above figures do not include ITI-C, Singapore since it is in the process of liquidation.)

24. Claims & Expenses recoverable includes Rs.6.67 Crores pending refund from U.P Electricity Board

25. Audit Fee under other capacities include-	Rs. Crores	Rs. Crores
(i) Tax-Audit Fees	0.01	0.01
(ii) Out of Pocket Expenses	0.00	0.00
(iii) Other capacities.	0.00	0.00
	<u>0.01</u>	<u>0.01</u>

26. **Remuneration to CMD and Wholtime Directors**

No. of directors	4	4
Salaries and Allowances	Rs. 1,474,158	16,58,817
Contribution to PF etc	Rs. 175,814	181,685
Perquisites	Rs. 0	0
	<u>Rs. 1,649,972</u>	<u>1,840,502</u>

27. **Particulars of Turnover [incl. Excise Duty] (*)**

Electronic Switching Exchange	890.09	816
Telephone Instruments	16.63	19
Transmission Equipments	193.77	197
Defence Equipments	0	0
Micro Electronic Equipments	0	4
ASCON	123.07	20
Services	165.45	190
TOTAL	<u>1,389.01</u>	<u>1,257</u>

28. **Opening and Closing Stock of Goods Produced. (*)**

	Opening Stock	Closing Stock	Opening Stock	Closing Stock
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
Electronic Switching Exchange	36	92	77	36
Telephone Instruments & Components	5	3	5	5
Transmission Equipment	19	22	59	19
Regional Office Stock	29	27	31	29
	<u>89</u>	<u>144</u>	<u>172</u>	<u>89</u>

(*) Exemption from disclosure of quantitative details for Turnover, Opening and Closing Stock of Goods Produced, Consumption of Raw Material, Licensed Capacity, Installed Capacity and Actual Production has been granted by the Department of Company Affairs vide their Order No.46/57/2004-CL-III dated 19.05.2004

29. **Values of Imports on CIF basis**

	Rs. Crores			Rs. Crores	
	CIF value	Customs	Other	Current year	Previous Year
		Duty	Charges	TOTAL	TOTAL
Raw Materials and Production Stores	595.42	65.07	0.51	661.00	397.39
Components and Spare Parts	22.64	0.14	0.02	22.80	7.05
Material in transit	7.49	2.44	0.02	9.95	5.77
Capital Goods	34.30	2.03	0.66	36.99	9.21
TOTAL	<u>659.85</u>	<u>69.68</u>	<u>1.21</u>	<u>730.74</u>	<u>419.42</u>

30. Expenditure in foreign Currency

	Rs. Crores	Rs. Crores
Royalty	0.00	0.00
Know-how	0.00	0.00
Professional / Consultation Fees	0.00	0.00
Interest	0.55	0.04
Others	<u>16.65</u>	<u>0.51</u>

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		17.20	0.80
31.	Value of Imported Raw Materials, Store and Spare parts consumed and Value of Indigenous Materials Consumed and percentage of each to the total consumption		
		Rs. Crores	%
	Imported	711.30	65
	Indigenous	80.30	35
	Total	1,091.60	100
32.	Amount remitted during the year in foreign currency on account of Dividend.	NIL	NIL
33.	Earnings in Foreign Currency	Rs. Crores	Rs. Crores
	Export of goods calculated on FOB basis	6.52	3.02
	Royalty, Know-how, Professional and Consultancy fees	0.00	0.00
	Interest and Dividend	0.00	0.00
	Services	0.00	5.34
	Total	6.52	8.36
34.	Earnings Per Share is computed as follows:		
a.	Profit/ (Loss) after Tax (Rs. Crores)	(309.2)	(705.83)
	Less: Preference dividend	22.75	22.75
	Profit/ (Loss) available to Equity Shareholders (Numerator used for calculation)	(332.57)	(728.58)
b.	Number of Equity shares of Rs.10 each (Denominator used for calculation)	89,643,836	88,000000
	Basic and Diluted Earnings per share (Rs.)	-37.10	-82.79
35.	Performance Indicators – Ratios		
	- Sales to Total Assets	Times	0.53
	Sales incl. ED / Total Assets (Net Fixed Assets + Investments + Gross Current Assets)		0.54
	- Operating Profit to Capital employed	[%]	-ve
	Profit before tax / (Share holders' funds + Loan funds)		-ve
	Return on Net Worth (Profit after tax / Share holders' funds)	[%]	-ve
	- Profit to Sales (Profit before tax to sales incl. ED)	[%]	-ve
36.	Figures in brackets indicated in the Accounts reflect negative balances.		

SIGNIFICANT ACCOUNTING POLICIES

- 1.00 **Fixed Assets**
- 1.01 Fixed Assets are recorded at cost net of MODVAT relief wherever availed.
- 1.02 Fixed Assets acquired free of cost or gifted to ITI are recorded at Market Value at the time of acquisition and the amount is credited to Capital Reserve.
- 1.03 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.
- 1.04 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.

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- 1.05 Capital Expenditure on R&D is treated as Fixed Assets.
- 2.00 **Inventories**
- 2.01 Raw materials, components and stores purchased for manufacturing / production activities are valued at weighted average rate as at the end of the year. Where the same items are both purchased and manufactured, manufacturing costs are generally adopted for valuation.
- 2.02 Raw materials and production stores with Ancillaries and Fabricators are valued at cost as at the time of issue to the Ancillaries and Fabricators.
- 2.03 Manufactured items in Stock and Stock-in-Trade are valued at cost excluding Interest Charges, Administration Overhead and Sales overhead or at the net realisable value whichever is less.
- 2.04 **Work-in-process**
- 2.05
- (i) Work-in-process (production) is valued on the basis of physically verified quantities at cost excluding interest charges, administration overheads and sales overheads or at the net realisable value whichever is less.
- (ii) Work-in-process (Installation) is valued at cost as recorded in the Work Orders.
- 2.05 Precious metals scrap is valued and brought to books at the year-end.
- 3.00 **Tools and Gauges**
- 3.01 Expenditure on special purpose tools and fixtures is initially capitalised for amortisation on production, based on Technical assessment.
- 3.02 Loose tools are charged to revenue at the time of issue.
- 4.00 **Intangible Assets**
- 4.01 Expenditure on training personnel, foreign technician's fees and expenses, technical know-how documentation etc, specific to the product/projects are recognized as intangible assets.
- 4.02 Expenditure and development of new products/technologies, development of software where enduring benefits are expected is recognized as intangible assets.
- 4.03 Intangible assets are recorded at cost initially
- 5.00 **Depreciation**
- 5.01 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.
- 5.02 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.
- 5.03 Depreciation on intangible asset are charged to revenue based on the economic benefits drawn by the company over the useful life not exceeding 10 years based on techno commercial assessment.
- 6.0 **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 Rs. Five Lakhs or more in each transaction.
- 7.00 **Rate of Foreign Exchange**
- Current Assets / Liabilities / Long term Liabilities towards imported equipments and components are initially brought to the account at the rate of exchange ruling on the date of availing the credit and are updated at the actual rate of

exchange ruling on the date of Balance Sheet. The conversion difference as at the Balance Sheet date is adjusted in the Profit and Loss Account. In relation to Fixed Assets, the difference would be accounted in the Assets accounts.

8.00 **Recognition of Revenue**

- a) Sales include Excise Duty and exclude Sales Tax.
- b) Sales are set up based on dispatches / customer acceptance against valid sales contracts.
- c) Where prices are not established, sales are set up provisionally at prices likely to be realised.
- d) Export sales are treated as sales on issue of Bill of Lading.
- e) Provision is made separately for likely disallowance by customers including Liquidated Damages for contracts executed during the year.

9.00 **Warranty Liability**

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

10.00 **Government Grants**

1. Government grants relating to Revenue are initially credited to Grant-in-Aid (Revenue).
2. This amount is adjusted to the Profit & Loss Account where it is recognised as income to the extent of related costs which they are intended to compensate.
3. Where the grants are for the purpose of giving immediate financial support/compensation for expenses incurred in a previous accounting period, with no further related cost, these are recognised as income in the profit and loss account in the year of receipt.

11.00 **Recognition of Revenue on Long Term Construction / Turnkey Contracts**

Revenue is recognised on percentage completion method. The accounting of contract revenue and contract cost 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.

12.00 **Retirement Benefits**

- i) Gratuity liability is determined annually by actuarial valuation and covers all employees. The incremental liability of each year is remitted into a separate trust.
- ii) Liability towards leave salary accruals annually is determined on the basis of actuarial valuation.
- iii) Contribution to EPF and pension scheme are made on a monthly accrual basis at the applicable rates.

13.00 **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.

14.00 **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.

Cash Flow Statement from the year 2000-01 to 2003-04 & Year ended 2004-05

Provisional

(Rs in crores)

PARTICULARS	2001-02	2002-03	2003-04	2004-05
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit Before Tax	23.38	-376.67	-705.83	-309.82
Adjustments for:				
Depreciation	45.06	44.71	42.02	31.73
Interest paid	171.26	156.02	157.97	207.49
Profit on sale of investments	0	0	0	0
Interest / Dividend received	-0.88	-1.63	-6.21	-0.27

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Profit on sale of asset	-0.58	-0.49	-25.52	-0.80
Transfer from Grant-in-Aid	-110.8	-28.42	-24.21	-447.78
Non-cash expenditure	30.77	30.24	44.03	231.61
Operating Cash Profit before working capital changes	158.21	-176.24	-517.73	-287.84
Adjustments for:				
Trade and other receivables	-389.85	-127.17	280.73	-281.88
Inventories	-183.41	172.11	231.58	59.63
Trade Payables	408.76	37.25	-57.46	222.10
Direct Taxes paid	0.85	2.62	-0.03	-0.03
Miscellaneous expenditure not written off	-80.4	-66.09	-135.05	0.0
Net Cash from Operating Activities [A]	-85.84	-157.52	197.96	197.96
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of fixed assets including capital WIP	-35.11	-20.43	-20.58	-43.41
Sale of Fixed Assets	0.63	0.5	26.87	0.80
Sale of Investments	0	0	0	0
Interest received	0.41	0.22	6.09	0.27
Dividend received	0.46	1.41	0.12	0.00
Net Cash used in Investing Activities [B]	-33.61	-18.3	12.5	-42.34
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Long Term Borrowings	81.77	-105.16	332.91	-125.79
Proceeds from Short Term Borrowings	32.21	236.25	0	0
Proceeds from Preference shares/equity shares	100	200	0	200.00
Grant-in-Aid received	107.58	8.39	0.6	601.10
Interest Paid	-171.26	-156.02	-157.97	-207.49
Dividend paid	-4.4	-4.4	0	0
Dividend tax paid	-0.45	0	0	0
Net Cash used in Financing Activities [C]	145.45	179.06	154.74	467.82
Net Increase in Cash & Cash Equivalents [A+B+C]	26	3.24	-9.92	137.46
Cash and Cash Equivalents as at 1st April	20.63	46.63	49.87	39.95
Cash and Cash Equivalents as at 31st March	46.63	49.87	39.95	177.41

IV. We have also examined the following information relating to ITI, proposed to be included in the Offer Document, as approved by you and annexed to this report:

1. The Dividends declared by ITI Limited for the 5 financial years ended 31st March 2005 is enclosed as Part-III.
2. Summary of accounting ratios based on the adjusted profits/losses to earnings per share, net asset value and return on net worth is enclosed as Part-IV
3. Capitalisation statement as at 31st March 2005 of the company is enclosed as Part-V.
4. Statement of tax shelters is enclosed as part-VI statement of changes in Significant accounting policies is enclosed as Part-VII.

Part –III-Dividends declared by ITI Limited for the 5 financial years ended 31st March 2003.

We further report that the dividends declared by ITI Limited in respect of five financial periods/ years ended September 30, 2003 are as under:

	For the year ended March, 31 2001 (Rs. in Crs.)	For the year ended March, 31 2002 (Rs. in Crs.)	For the year ended March, 31 2003 (Rs. in Crs.)	For the year ended March 31 st 2004, (Rs. in Crs.)	For the year ended March 31 st 2005, (Rs. in Crs.)
Equity Share	88.00	88.00	88.00	88.00	88.00

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Capital					
Rate of Dividend	5%	5%	-	-	-
Amount of Dividend	4.40	4.40	-	-	-
Corporate Dividend Tax	0.45	-	-	-	-

Part-iv summary of Accounting Ratios

Particulars	For the year ended 31.03.2002	For the year ended 31.03.2003	For the year ended 31.03.2004	For the year ended 31.03.05	For the half year ended 30.09.05
Profit / (Loss) after Tax	2158.29	-37486.65	-70583	-31000	-21600.00
(-) Preference dividend	0	0		0	0
Profit / (Loss) available to Equity Shareholders	2158.29	-37486.65	-70583	-31000	-21600.00
Weighted average number of Shares outstanding during the year	88,000,000	88,000,000	288,000,000	288,000,000	288,000,000
Number of equity Shares outstanding at the end of the period/ year	88,000,000	88,000,000	288,000,000	288,000,000	288,000,000
Networth	18119.04	-3839.96	-84126.00	-70600.00	-92500.00
Accounting Ratios:					
Earnings per Share (Rs.)	2.45	-43.59	-24.51	-10.76	-7.50
Net Assets Value per Share (Rs.)	20.59	-4.36	-29.21	-24.51	-32.12
Return on Networth (%)	11.91%	NA	NA	NA	NA

Formulae:

$$\text{Earning per Share (Rs.)} = \frac{\text{Profit / (Loss) available to Equity Shareholders}}{\text{Weighted Average No. of Equity Shares outstanding during the year / period}}$$

$$\text{Net Assets Value per Share (Rs.)} = \frac{\text{Networth}}{\text{Number of Equity Shares outstanding at the end of the year / period}}$$

$$\text{Return on Networth (\%)} = \frac{\text{Profit / (Loss) available to Equity Shareholders}}{\text{Networth}}$$

Part-V - Capitalisation statement as at 31st March 2005

(Rs. in crores)

	Pre-issue As on 31 st March 2005	As adjusted for issue
Debt		
Long term debt	1355	1355
Short term debt	200	200
Total Debt	1555	1555
Shareholders' funds		
Share Capital	588	588
Reserves	(1294)	(1294)
Total Shareholders funds	(706)	(706)
Long term debt / Share holders funds	NA	NA

Part VI – Statement of tax shelters:

PARTICULARS	For the year ended 31.3.2001	For the year ended 31.3.2002	For the year ended 31.3.2003	For the year ended 30.03.2004	For the year ended 30.03.2005
Profit Before Tax as per Books	28	22	-375	-70583	-31000
Tax Rate	39.80	35.7	36.75	36.59	33.66
Tax on profits	-	-	-	-	-
Adjustments:					
Timing Differences:					
Miscellaneous expenditure not w/o	-	3.18	-3.18	Nil	Nil
Transfer of Technology charges	-	0.31	-0.31	Nil	Nil
Capital R&D expenditure	-	2.72	-2.72	Nil	Nil
Depreciation	-	-3.12	3.12	Nil	Nil
Provision	-	-1.29	1.29	Nil	Nil
Total Timing Difference	-	1.8	-1.8	Nil	Nil
Tax saving thereon	-	-0.64	0.66	Nil	Nil
Profit as per Income Tax Returns	Nil	Nil	Nil	Nil	Nil
Tax on Returned Income	-	-	-	Nil	Nil
Interest U/s 234B & C	-	-	-	Nil	Nil
Total Tax Liability	-	-	-	Nil	Nil

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Part VII – Statement of changes in Significant Accounting Policies:

Changes in Accounting Policies from 1998-99 to date as compared to the latest Accounting Policies:

2000-2001

1. Development expenditure on R&D satisfying AS-8 conditions deferred against the existing practice of charging off to Profit and Loss Account in the year of incurrence.
2. Borrowing Cost capitalised based on Accounting Standard –16, Borrowing Costs becoming mandatory.

2001-2002

1. A provision was made for Deferred Tax Liability as per Accounting Standard-22, Accounting for Taxes on Income becoming mandatory.
2. Warranty liability accounted on accrual basis against the existing practice of accounting the same as and when incurred.

2002-03

1. Revenue on Long-term construction / Turnkey Contracts recognized as per revised Accounting Standard – 7, Construction Contracts.

2003-04

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

2 Intangible Assets

- a) Expenditure on training personnel, foreign technician's fees and expenses, technical know-how documentation etc, specific to the product/projects are recognized as intangible assets.
 - b) Expenditure and development of new products/technologies, development of software where enduring benefits are expected is recognized as intangible assets.
 - d) Intangible assets are recorded at cost initially
3. Depreciation on intangible asset are charged to revenue based on the economic benefits drawn by the company over the useful life not exceeding 10 years based on techno commercial assessment.

2004-05

1. Government Grants

1. Government grants relating to Revenue are initially credited to Grant-in-Aid (Revenue).
2. This amount is adjusted to the Profit & Loss Account where it is recognised as income to the extent of related costs which they are intended to compensate.
3. Where the grants are for the purpose of giving immediate financial support/compensation for expenses incurred in a previous accounting period, with no further related cost, these are recognised as income in the profit and loss account in the year of receipt.

2. Retirement Benefits

- iv) Gratuity liability is determined annually by actuarial valuation and covers all employees. The incremental liability of each year is remitted into a separate trust.
- v) Liability towards leave salary accruals annually is determined on the basis of actuarial valuation.
- vi) Contribution to EPF and pension scheme are made on a monthly accrual basis at the applicable rates.

3. 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.

**For John, Joseph and Mathew
Chartered Accountants**

Place: Bangalore

Date:

**(K.T. Mathew)
Partner.**

Age wise Analysis of Sundry Debtors

	[Rs. in Crores]		
Accounting Year Period Ended on 31 st March	Upto 180 days	Greater than 180 days	Total Sundry Debtors
2001	705.65	321.94	1027.59
2002	844.00	428.77	1272.77
2003	605.77	798.75	1404.52
2004	508.44	680.71	1189.15
2005	662.30	886.70	1549.00

Details of the Related Party Debtors

Companies	Balance as at 31 st March, 2005 (Rs. in crores)
Total	2.73

Analysis of Loans & Advances

	[Rs. in Crores]
Particulars	Balance as at 31 st Mar 2005
Cash Credit	242.00
Bonds	573.00
Short Term Loans	300.00
Floating Rate Bonds	240.00
Total	155.00

There are no loans and advances to related parties.

Analysis of outstanding unsecured loans taken by the Company

Description	Amount outstanding as on	Interest Rate (%) p.a.	Repayment Schedule
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	31 st March, 2005		
Loans from Promoters	0.00	12.50% to 14.00%	-
Short term loans from Banks	300.00	7.50% to 9.00%	August-2006
Floating Rate Bonds	240.00	70 BPS over MIBOR	7 th July 2005

Related Party Transactions

The Company has entered into the following related party transactions. Such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

(Rupees in Crores)

Related Party	Relationship	Payment for Purchases of Goods Services			Interest on Fixed Deposits			Sales of Goods & Services			Receipt of ICDs/Unsecured loan		
		2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
India Satcom Ltd, Fibcom India Ltd & ITI Singapore Pte	Joint Venture Companies	22.95	29.65	12.76	-	-	-	0.10	4.95	0.57	-	-	-

Particulars	2004	2005
Amount Outstanding		
- Due from related parties	3.33	2.73
- Due to related parties	25.51	12.43
Provision for doubtful debts against dues from related party existing as at the end of 31 st March 2005.	0.93	0.93

Outstanding Loans and advances to Key Managerial Personnel as on 31st March, 2005 are as follows:

Name	Designation	Amount (in Rs.)
Nil	Nil	Nil

INSURANCE

The Company has insured all its plants at Bangalore, Mankapur, and Naini complex with different Insurance Companies, brief details of which are as under:

Units/ RO's	WDV of assets as on 31.3.2005 (Rs. in Crs)	WDV of insurable assets as on 31.3.2005 (Rs. in Crs)	Value for which Insurance cover has been taken	Type of risk covered
Bangalore Complex	32.06	32.06	32.06	Fire with STFI, Earth quake and Terrorism
R&D Division	9.48	9.48	9.48	
MC Division	1.19	1.19	1.19	
NS Unit	5.06	5.06	5.06	
Palakkad	22.07	22.07	22.07	
Srinagar	1.08	1.08	1.08	
Naini	13.59	13.59	13.59	
Raebareli	17.16	17.16	17.16	
Mankapur	48.02	48.02	48.02	
Regional Offices	2.71	2.71	2.71	
Corporate	10.32	10.32	10.32	

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Total	162.74	162.74	162.74
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EXPORT OBLIGATION

The outstanding export obligation of the Company as on 31st July, 2005 is Nil.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITIONS

INDUSTRY STRUCTURE, OPPORTUNITIES & THREATS AND FUTURE OUTLOOK

The convergence of technologies has resulted into evolution of new services at affordable costs. Services, which hitherto were primarily hardware driven, are now being catered by equipment which have more software content. Communication business has shifted from being equipment driven to customer demanded services. Distinct business segmentation is under threat.

Fixed Lines which till recently formed a major chunk of ITI's turnover declined considerably and now the growth is in 'Mobile' Business. The customer is becoming more demanding. Instead of equipment, the demand is for network- 'installed and commissioned'. ITI with its diverse experience in equipment manufacturing, installation and commissioning (in NS Unit) development and engineering, is well placed for taking up end to end solutions business and has shown the capability by installing GSM networks for MTNL and BSNL; Satellite networks CIVICON for Ministry of Home Affairs and ASCON for Army; MLLN and MPLS- VPN for MTNL and BSNL respectively.

Leveraging ITI's huge potential in Manufacturing, ITI shall be a leading player in fixed line, 'Mobility' business, networking; IT related networks and end to end solution business.

ITI, which was predominantly an equipment manufacturer, has made commendable progress in the project implementation. The Company has provided GSM Cellular infrastructure for MTNL and BSNL, on a turn-key basis, covering Delhi, Mumbai, Maharashtra, M.P., Chattisgarh, Gujarat, Kolkatta, Bihar and Jharkhand. This infrastructure is providing mobile cellular services to 1.5 million subscribers. Further expansion is on the anvil. ITI is implementing a satellite based communication network for Ministry of Home Affairs.

ITI has been playing a major role in implementing IP based switching in the country. The Company has executed a pilot project for BSNL for the induction of Managed Leased Line Network (MLLN) and Voice over Internal Protocol (VOIP) in 9 cities. Further, large-scale implementation of MLLN will be taken up to cover 207 cities, for which orders are in the pipeline. ITI has executed the Nation's first Broad - band Multi Protocol Label Switching- Virtual Private Network (MPLS-VPN) for BSNL in 10 major cities. Secured connectivity and assured quality of service are ensured by this type of network.

ITI's efforts to diversify into IT and IT enables services have led to in-house development of products such as INFOKIOSK, public Key Infrastructure (PKI), Computer Telephone Integration (CTI), call center IP-PABX, and e-Commerce platform from our R&D and IT- center for Excellence. ITI has executed orders on Call Centres, Billing (DoT-Soft) for BSNL and Networking projects for CAIR and various Universities during the year under review and made a beginning with Rs 50 crores turnover in this segment. Having bagged the internet expansion order from MTNL and future requirements of BSNL/ MTNL, such as, convergent billing and expansion of MPLS-VPN, ITI is poised to increase the turnover in this segment.

ITI is living up to its well-established image as a significant resource for building vital infrastructure and has repositioned itself as a Total Solutions Provider in the emerging environment, poised to play a major role in the Telecom/ IT scenario. Faster skill formation in new areas and redeployment of manpower would be thrust areas in the restructuring exercise planned to ensure that ITI remains highly competitive.

RISK MANAGEMENT

Telecom sector is witnessing a rapid change both in market & technology fronts. ITI has laid focus on supplies without delay; efficient execution of turn-key jobs; revival of dormant projects & acquisition of technologies which would rejuvenate the production activity. In all these moves, the plan is to achieve results by a right mix of people in the right places.

Financial Risk


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Financial Risk of the Company basically relates to Foreign Currency exposure. The Company has a well designed control system for both Revenue expenditure and Capital expenditure relating to foreign currency exposure, thereby taking appropriate measures to mitigate losses, if any, on this account.

HUMAN RESOURCES

As at 31st March, 2005, the Company has a total strength of 14635 employees, comprising of 5674 Officers & 8961 non-Officers.

INTERNAL CONTROL MEASURES

The Company has well-established Internal Control Measures commensurate with size and the nature of its business. Both the Finance & Internal Audit Departments are well equipped with experienced and qualified Personnel, who play significant roles in monitoring the statutory & internal control environment.

FINANCIAL PERFORMANCE

ITI has achieved a sales turnover of Rs 1389.01 crores for the year ended 31st March, 2005, as compared to Rs. 1256.57 crores in the previous years.

12. STOCK MARKET PRICE DATA FOR LAST SIX MONTHS

MONTH	HIGH	LOW
Feb 2005	30.75	23.90
Mar 2005	34.25	26.10
Apr 2005	30.70	23.65
May 2005	29.50	25.70
June 2005	37.75	26.10
July 2005	94.75	40.00
August 2005	81.80	65.00
September 2005	75.70	55.50
October 2005	73.90	49.50
November 2005	79.35	49.80

There was no trading of the Company's shares on the Bangalore Stock Exchange during the financial year.

For any assistance regarding Share transfers, transmissions, change of address, non-receipt of dividends, duplicate, missing share certificates and other relevant matters, please write to the Registrars and Share Transfer Agents of the company at the address given below:

M/s Alpha Systems Pvt. Limited
No. 30, Ramana Residency,
4th Cross, Sampige Road, Malleshwaram,
Bangalore - 560003
Phone No. 080-3460815-818
Fax: 080-23460819 E-Mail: alfint@vsnl.com

OUTSTANDING LITIGATIONS & DEFAULTS

(a) Outstanding litigations, defaults, etc. by & against the Company

Litigations by the Company: Nil

Litigations against the Company

1. Pertaining to Securities Laws: Nil


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2. **Pertaining to Statutory Authorities: Nil**
 3. **Pertaining to Labour Laws: Nil**
 4. **Pertaining to other matters: Nil**
 5. **Against the Directors of the Company: Nil**
- (b) **Litigations, Defaults, etc. against the Promoter & the Companies propomoted by ITI Limited : Nil**

(i) **Contingent Liabilities not provided for as on last audited Balance-Sheet for 2003-2004**

Sr. No.	Particulars	Amount (Rs. Crores)
1.	Outstanding Letter of Credit	180.43
2.	Sales Tax Demand	6.95
3.	Disputed Excise Duty Demand/ CENVAT Disallowance	22.29
4.	ESI Demand	0.69
5.	Custom Duty paid under Protest	0.78

PROMISES V/S. PERFORMANCE IN THE LAST ISSUE

ITI has never come out with any public/right issue in which it had given any projections.

INFORMATION AS REQUIRED BY GOVERNMENT OF INDIA, MINISTRY OF FINANCE CIRCULAR NO. F2/5/SC/76 DATED FEBRURARY 5, 1997 AS AMENDED VIDE CIRCULAR OF EVEN NO DATED MARCH 8, 1997

1. The working results of the Company for the period 1st April, 2004 to 31st March, 2005 is as under:

Particulars	(Rs. in crores)
Total sales	1318.00
Other Income including dividend and interest income	505.00
Total Income	1796.00
Profit Before Interest, Depreciation & Tax	(57.00)
Interest & Financial Charges	207.00
Profit after interest but before Depreciation and Taxes	(264.00)
Provision for Depreciation	32.00
Prior period adjustment {Net Debit / (Credit)}	Nil
Profit Before tax	(296.00)
Provision for tax	Nil
Net Profit After Tax	(296.00)

2. Save as stated elsewhere in the Draft Information Memorandum, there are no material changes and commitments which are likely to affect the financial position of the Company since 31st Mar, 2005 i.e. the last date upto which provisional information is incorporated in the Draft Information Memorandum.

PARTICULARS REGARDING THE LISTED COMPANIES UNDER THE SAME MANAGEMENT DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning of Section 370 (1B) of the Act.

NAMES OF SMALL SCALE UNDERTAKING (S) OR ANY OTHER CREDITORS TO WHOM THE COMPANY OWES ANY SUM WHICH IS OUTSTANDING MORE THAN 30 DAYS AS ON 31.03.04.

SI No.	NAME OF THE UNDERTAKING
1.	M/s. Gyan Cirkitronics (P) Ltd.
2.	M/s. Ability Enterprise.

MECHANISM INVOLVED FOR REDRESSAL OF INVESTOR GRIEVANCES


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The Company's name has not appeared in Press Releases issued by SEBI regarding maximum number of complaints received from the investors

The Company has also appointed following Compliance Officer who may be contacted in case of any pre-issue/ post issue related problems:

Shri K. Ramaswamy
Company Secretary
ITI Limited, ITI Bhavan, Doorvani Nagar,
Bangalore
Tel No : (080) 25614466
Fax No : (080) 25617525

EXPERT OPINION

Save and except as stated elsewhere in this Draft Information Memorandum, the Company has not obtained any expert opinions.

OPTION TO SUBSCRIBE

Save as otherwise stated elsewhere in this Draft Information Memorandum, the Company has not given any option to subscribe for any shares/ bonds of the Company.

RISK FACTORS & MANAGEMENT PROPOSAL THEREOF

RISKS INTERNAL TO THE COMPANY

(1) **The Company has following contingent liabilities which are not provided for as on 31st March, 2005:**

Sr. No.	Particulars	Amount (Rs. Crores)
1.	Outstanding Letter of Credit	276.34
2.	Sales Tax Demand	76.56
3.	Disputed Excise Duty Demand/ CENVAT Disallowance	25.75
4.	ESI Demand	0.00
5.	Custom Duty paid under protest	0.00

(2) **Outstanding litigations, Defaults, etc. by & against the Company**

Litigations by the Company: Nil

Litigations against the Company

- a) Pertaining to Securities Laws: Nil
- b) Pertaining to Statutory Authorities: Nil
- c) Pertaining to Labour Laws: Nil
- d) Pertaining to other matters: Nil
- e) Against the Directors of the Company: Nil

Litigations, Defaults, etc. against the Promoter & the Companies promoted by ITI

ITI is jointly promoted by Government of India and Government of Karnataka. The directors of the company are nominees of Government of India who belong to various cadres of Indian Administrative Services. It is very difficult for ITI to ascertain the litigations or defaults of the Promoters & the Directors.


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EXTERNAL RISK FACTORS

- Indian Telecom Industry is coupled with intense competition among large number of players which is in contrast to world wide trend and will lead to the overcapacity and reducing the demand for the equipment manufacturers like ITI.
- The concept of Unified License will lead to large players present in every business activity of the Telecom sector and thus they will negotiate for better prices from ITI. In spite of their huge demand potential they will put pressure on the profitability of ITI.
- The Telecom industry is moving from hardware driven to software driven, though ITI is diversifying in the software part but still continuous realignment is needed on part of ITI to maintain its Advantage over the competitors.
- Technology is the driving force in the Telecom sector and thus frequent obsolescence of technology is the major risk factor for Telecom Company like ITI.
- The convergence of technologies has resulted into evolution of new services at affordable prices. Services, which hitherto were primarily hardware driven, are now being catered by equipment which have more software content. Communication business segmentation is under threat.
- Fixed lines which till recently formed a major chunk of ITI's turnover has declined considerably and now the growth in Mobile business. The customer is becoming more demanding. Instead of equipment, the demand is for networks- "installed and commissioned".
- The performance of the company may be affected by a number of factors beyond its control including economic developments both in India and worldwide. The slowdown in India's/ world's economic growth may have an adverse impact on the demand for the Company's product.
- Adverse foreign exchange fluctuations can potentially lead to increase in cost of products as far as import is concerned as well as reduction in margins for the products exported by the Company.

Notes to the Risk Factors:

Mentioned elsewhere in the Information Memorandum.

Statement of Related Party Disclosure

Related party Disclosure as required by Accounting Standard –18 issued by The Institute of Chartered Accountants of India (w.e.f. 1/4/2001), are given below:

Relationships:

<u>2003-04</u>	<u>2002-2003</u>	<u>2001-2002</u>
(a) Where control exists:	(a) Where control exists:	(a) Where control exists:
(b) Key Management Personnel:	(b) Key Management Personnel:	(b) Key Management Personnel:
(c) Relatives of key management personnel and their enterprises, where transactions have taken place:	(c) Relatives of key management personnel and their enterprises, where transactions have taken place:	(c) Relatives of key management personnel and their enterprises, where transactions have taken place:

2. Transactions with related parties:

Details related to parties referred to in 1(b) above.

(Rs. in lakhs)

Sr. No.	Nature of Transaction	2003-04	2002-03	2001-02
01	Sitting Fees to all Directors	Nil	nil	Nil
02	Remuneration to Managing Director and Director	Nil	Nil	Nil

Details related to parties referred to in 1(c) above.

(Rs. In lacs)

Sr. No	Nature of Transaction	Value for the year			Outstanding as on		

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		31.3.04	31.3.03	31.3.02	31.03.04	31.3.03	31.3.02
01	Fixed Deposits received	Nil	nil	Nil	Nil	nil	Nil
02	Interest paid on Fixed Deposits	nil	Nil	nil	Nil	nil	nil

IMPORTANT PROVISIONS FROM ARTICLES OF ASSOCIATION

Share / Bond Certificates

Regulation 6A: Every person whose name is entered as a member in the Register shall, without the payment be entitled to a Certificate under the Common Seal of the Company specifying the Share or Shares held by him and the amount paid thereon.

Regulation 6B: The share Certificate shall be issued in market lots and where share certificates are issued in either more or less than market lots, subdivision or consolidation of share certificates into market lots, subdivision or consolidation of share certificates into market lots shall be done free of charge. Similarly, every person who is a Bond holder and whose name has been entered in the Register of Bond holders, shall be entitled to, free of charge, one or more Certificates in marketable lots under the Common Seal of the Company specifying the Bond or Bonds held by him, the amount secured thereon and the rate of interest payable.

Provided, that in respect of share(s) or Bond(s) held jointly by several persons, delivery of certificates for share(s) or Bond(s), as the case may be, to one of the several joint holders shall sufficient delivery to all.

Power to Borrow

36. Subject to the provisions of Section 292, 293 and other relevant provisions of the Act, the Board may by means of a Resolution passed at a Meeting of the Board from time to time, borrow and/or secure the payment of any sum or sums of money for the purposes of the Company.

Condition on which money may be borrowed

37. The board may secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit and in particular by a Resolution passed at a Meeting of the Board (and not by Resolution by circulation) by the issue of bonds, perpetual or redeemable debentures or debenture stock or any mortgage charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its un called capital for the time being.

General Power of Company vested in Directors.

73. Subject to the provisions of Act, the Board of Directors shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other act or by the memorandum or articles of the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in the Act or in the memorandum or articles of the Company or in any regulations not inconsistent therewith and duly made there under, including regulations not inconsistent wherewith and duly made there under, including regulations made by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.


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74. Notwithstanding any of the provisions contained in the other Articles, prior approval of the Central Government shall be obtained in respect of:

- a) Appointment, which term will include initial appointment, extension in service and reemployment of personnel, who have attained the age of 58 years on a pay (including pension and pensionary equivalent of retirement benefits) exceeding Rs. 2,500 per mensem;
- b) Appointment of any foreign national to any post in the Company.
- c) Implementation of schemes involving capital expenditure exceeding Rs. 2,000 lacks in each case;
- d) Issue of Debenture
- e) Winding up of the Company;
- f) Sale, lease or disposal of any land and/or building having an original book value of Rs. 10 lacks and above;
- g) The formation of a subsidiary Company;
- h) Company's five Year and Annual Plans for Development and Capital Budgets;
- i) Revenue Budget of the Company in case there is an element of deficit which is proposed to be met by obtaining funds from Central Government;
- j) Agreement involving foreign collaboration proposed to be entered into by the Company; and
- k) Purchases and contracts of a major nature involving substantial capital outlay which are in excess of the powers vested in the Company.

Specific powers to Directors

76. Without prejudice to the general powers conferred by Articles 73, and the other powers conferred by these Articles, the Directors shall have the following powers, that is to say, power:

- 1) **To acquire property:** To Purchase, take on lease or otherwise acquire for the Company, property, rights or privileges which the company is authorized to acquire at such terms and conditions as they think fit;
- 2) **Works of capital nature:** To authorize the undertaking of works of a capital nature;
- 3) **To pay for property in debentures etc.:** To pay for any property, rights or privileges acquired by, or services rendered to the Company either wholly or partially in cash or in shares, bonds debentures or other securities of the Company, and any such shares may be issued either as fully paid up or with such amount created as paid up thereon as may be agreed upon; and any such bond, debentures or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged;
- 4) **To secure contracts by mortgage:** To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manner as they may think fit.
- 5) **To appoint officers, etc.:** To appoint and at their discretion, remove or suspend such managers, secretaries, officers, clerks, agents and servants, for permanent, temporary or special services, as they may, from time to time, think fit, and to determine their powers and duties and fix their salaries or emoluments, and to require security in such instances and for such amount as they think fit;
- 6) **To appoint trustees:** To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company, any property belonging to the Company or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust, and to provide for the remuneration of such trustee or trustees;
- 7) **To bring and defend action etc.:** To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any claims or demands by or against the Company;
- 8) **To refer to arbitration:** To refer any claims or demands by or against the Company to arbitration, and observe and perform the awards;



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- 9) **To give receipt:** To make and give receipts, releases, and other discharges for money payable to the Company, and for the claims and demands of the Company;
- 10) **To authorise acceptance etc.:** To determine who shall be entitled to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents;
- 11) **To appoint attorneys:** From time to time to provide for the management of the affairs of the Company outside in such manner as they think fit, and it particular to appoint any person to be the attorneys or agents of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit;
- 12) **To invest moneys:** Subject to relevant provisions of the Companies Act, 1956, to invest and deal with any monies of the Company not immediately required for any purposes thereof upon such security (not being share of this Company) or without security and in such manner as they may think fit and from time to time to vary or realize such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name;
- 13) **To give security:** To execute in the name and on behalf of the Company in favour of any director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on;
- 14) **To give percentage:** Subject to the approval of the President, to give to any person employed by the Company a commission on the profits of any particular business transaction, or a share in the general profits of the Company and such commission or share of profits shall be treated as part of the working expenses of the Company;
- 15) **To make byelaws:** From time to time to make, vary and repeal byelaws for the regulation of the business of the Company, its officers and servants;
- 16) **To give bonus:** To give, award or allow any bonus, pension, gratuity or compensation of any employee of the Company or his widow, children or dependents, that may appear to the Directors just and proper, whether such employee, his widow, children or dependents have or have not a legal claim upon the Company;
- 17) **To create provident fund:** Before declaring any dividend and subject to the approval of the President, to set aside such portion of the profits of the Company as they think fit, to form a fund to provide for such pensions, gratuities or compensation or to create any provident or benefit fund in such manner as the Directors may deem fit;
- 18) **To establish local board:** From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India, or out of India, and to appoint any persons to be members of such local Board and to fix their remuneration and from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the directors other than their power to make call; and to authorise the members for the time being of any such Local Board or any of them to fill up any vacancies, therein and to act notwithstanding vacancies, and any such appointment or delegation any be made in such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and any annul or vary any such delegation;
- 19) **To make contracts etc:** To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds, and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company; and
- 20) **To sub-delegate power:** Subject to Section 292 of the Act to sub-delegate all or any of the power, authorities and discretion for the time being retained by them.

Dematerialization of Securities

136. Pursuant to the provisions of the Depositories Act, 1996 and rules framed there under:


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- a) The company shall be entitled to dematerialize its securities (Shares, Debentures, etc.) and to offer securities in a dematerialized form;
- b) The registered holders of the securities of the company shall be entitled to convert such securities in a dematerialized form and to hold the same with a depository and vice-versa; and
- c) Any one holding shares of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company and be entitled to all rights and benefits and subject to all the liabilities in respect of his/their shares held by a depository.

Nomination Facility

137.

- I. Every holder(s) of shares in, or holder(s) of debentures of, the Company may, at any time, nominate, in the prescribed manner, a person to whom his shares in, or debentures of, the Company shall vest in the event of his death.
- II. A depositor may in terms of Section 58A ,at any time, make a nomination and the above provisions shall, as far as may be, apply to the nomination made under this sub-section.

MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

Copies of the contracts and documents, referred to below, may be inspected at the Registered Office of ITI between 10.00 am and 12.00 noon on any working day from the date of the Information Memorandum until the date of closing.

A) MATERIAL CONTRACTS

- (1) Mandate Letter dated 29th December 2005 appointing M/s. Allianz Securities Ltd. as one of the Lead Manager to the Issue.
- (2) Mandate Letter dated 29th December 2005 appointing M/s. RR Financial Consultants Ltd. as one of the Co-Arrangers to the Issue.
- (3) Mandate Letter dated 29th December 2005 appointing M/s. Centrum Finance Ltd. as one of the Co-Arrangers to the Issue.
- (4) Letter of Appointment dated 7th July 2005 appointing M/s. Alpha Systems Pvt. Limited as Registrars to the Issue.

B) DOCUMENTS

- (1) Memorandum and Articles of Association of ITI.
- (2) Certificate of incorporation of the Company
- (3) Certificate of commencement
- (4) Letter No. U-48019-3/2002-FAC, Dated: 28-10-2002, Issued by GoI, Issuing a comfort letter for repayment of principal and payment of interest on the money raised from the issue.



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- (5) Letter from CARE dated 04.07.2005 assigning a “PR1+ (SO)” rating for the long term debt instrument for an amount of Rs 400 crores.
- (6) Copy of Agreement with National Securities Depository Ltd. (NSDL) dated 17th July 2005
- (7) Certified True Copy of the minutes of the Board of Directors meeting held on 28.02.2002 approving the Bonds Issue.
- (8) Copies of Annual Reports of ITI for the five year period ended 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05.
- (9) Copy of Adjusted Balance-Sheet and Profit & Loss Accounts for the five year period ended 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 with provisional figures of half year ended 30.9.2005.
- (10) Copies of Annual Reports of Joint Venture Companies promoted by ITI Limited.
- (11) Copies of Consent letters from Directors of ITI, Auditors, Lead Managers, Registrars, Company Secretary and Bankers to the Issue.

DECLARATION


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All relevant provisions of the Memorandum and Articles of Associations of ITI and the relevant guidelines issued by SEBI/ Schedule II of the Companies Act 1956/ Listing Guidelines of Stock Exchange have been complied with and no statement made in this Offer Document is contrary to the provisions of the said regulations/ Guidelines.

ITI accepts no responsibility for statements made otherwise than in this Information Memorandum or in the advertisement or any other material issued by or the instance of ITI and that anyone placing reliance on any other source of information would be doing so at his own risk.

SIGNED PURSUANT TO THE AUTHORITY GRANTED BY BOARD OF DIRECTORS OF ITI AT ITS MEETING HELD ON THE 28th FEBRUARY 2002.

Y. K. Pandey
Chairman and Managing Director

Place: Bangalore
Date:



ITI LIMITED
(A Government of India Enterprise)
ITI Bhavan, Doorvaninagar, Bangalore – 560016.

Dear Sirs,

Having read and understood the contents of the memorandum of Private Placement, I/We apply for allotment to me/us of ITI “-“ Series Bonds. The amount payable on application as shown below is remitted herewith. On allotment, please place my/our name(s) on the Register of Bond holder(s). I/We bind ourselves by the terms and conditions as contained in the Memorandum of Private Placement.

(PLEASE READ CAREFULLY THE INSTRUCTIONS ON THE NEXT PAGE BEFORE FILLING UP THIS FORM)

The application shall be for a minimum of 1 Bond and in multiples of 1 Bond thereafter.

Application Form SI. No.

No. of Bonds applied for [in figures]			FOR OFFICE USE ONLY			
No. of Bonds applied for [in words]						
Total Amount (Rs. in Figures)			Date of receipt of Application		Date of clearance of Cheque/ Demand Draft	
Total Amount (Rs in Words)						
Date	Cheque / DD drawn on (Name of Bank and Branch)	Cheque / DD No.				

Handwritten signature
CMD

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(Tick whichever is applicable)

Denomination of Bond Certificates	Consolidated	Market Lot	
We are applying as (tick whichever is applicable)			
Company/Body Corporate	PF/Gratuity/Superannuation Fund	Bank / RRBs / Co-op Banks	Financial Institution
Society / AOP	Insurance Company	Mutual Fund	Others (pl specify)

Applicant Details

Sole / First Applicants Name in full	
Second Applicants Name in full	

Address of the First applicant (Post Box No. alone is not Sufficient, Please do not repeat name)

Pin Code		Telephone No.		Fax No.		E-mail:	
Tax Details	PAN or GIR No.			IT Circle / Ward/District No.	PAN Not Allotted <input type="checkbox"/>		
	NSDL <input type="checkbox"/>			CDSL <input type="checkbox"/>			
Depository Name (please ✓)	IN						
DP-ID Number							
Depository Participants Name				Beneficiary A/c Number (DEMAT A/c)			

DETAIL OF BANK ACCONT

Bank name & Branch	
Account No.	Type Of Account : Savings <input type="checkbox"/> Current <input type="checkbox"/> Others <input type="checkbox"/>

Tax Deduction Status [Please tick one]:

(i) Eligible for exemption from TDS on Interest : <input type="checkbox"/> Yes <input type="checkbox"/> No	(ii) if, yes Attached : <input type="checkbox"/> Form 15G <input type="checkbox"/> Form 15AA <input type="checkbox"/> Other
--	---

Specimen Signatures

	Name of the Authorized Signatories	Designation	Signature
1			
2			
3			

-----Tear Here-----

ACKNOWLEDGEMENT SLIP

APPLICATION FORM NO. _____



ITI Limited – Series ‘-’ Bonds

ITI Bhavan, Doorvaninagar, Bangalore - 560016.

Received from _____
Address _____ an application for
_____ ITI Bonds-Series ‘-’ along with Cheque / DD No. _____ Drawn on _____ Dated _____
for Rs. _____ (Rs. _____ only)
(Note Cheque and Draft are subject to realization)

INSTRUCTIONS

- Application forms must be completed in full in BLOCK LETTERS IN ENGLISH. A blank space must be left between two or more parts of the name.

A	B	C	D	E		L	I	M	I	T	E	D
---	---	---	---	---	--	---	---	---	---	---	---	---

- Signatures must be made in English or in any of the Indian languages.
- Thumb Impressions must be attested by an authorised official of the Bank or by a Magistrate/Notary Public under his/her official seal.
- Application form duly completed in all respects must be lodged at the Collection Offices mentioned below, before the closing of the subscription/specified date. Cheque(s)/Demand Draft(s) may be made payable at any of the following centres – Bangalore, Mumbai, Kolkata, New Delhi and Chennai

Handwritten signature

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5. Cheque(s)/Demand Draft(s) should be drawn in favour of “ITI Limited” and crossed “A/C Payee Only”
6. Receipt of applicants will be acknowledged by the Bank in the “Acknowledgement Slip” appearing below the application form. No separate receipt will be issued.
7. All applicants should mention their Permanent Account No. or their GIR No. allotted under Income Tax Act, 1961 and the Income Tax Circle/Ward/District. In case where neither the PAN nor the GIR No. has been allotted, the fact of non-allotment should be mentioned in the application form in the space provided. Income Tax as applicable will be deducted at source at the time of payment of interest including interest payable on application money. Those desirous of claiming exemption of tax are required to submit a certificate issued by the Income Tax Officer.
8. All applicants are requested to please read, in Part A of the Information Memorandum, the list of documents to be submitted by them along with the Application Form. Please note that applications not accompanied by the required documents are liable to be rejected. Applicants, other than individuals, desirous of receiving interest on bonds without TDS are required to submit Form 15AA/tax exemption certificate from Income Tax Officer, at least 30 days prior to the first interest payment date. Applicants must submit Form 15G alongwith Application Form to be eligible for non-deduction of TDS from interest on application money.
9. Cash, outstation cheques (cheques payable at centres other than Bangalore, Mumbai, Kolkata, New Delhi and Chennai), money orders, postal orders and stock invests will not be accepted.
10. As a matter of precaution against possible fraudulent encashment of interest warrants due to loss/misplacement, applicants are requested to mention the full particulars of their bank account as specified in the application form. Interest warrants will then be made out in favour of the Bank for credit to the applicant’s account. In case the full particulars are not given, cheques will be issued in the name of the applicant.
11. The application would be accepted as per the terms of the scheme outlined in the Memorandum of Private Placement.
12. In case of applications under Power of Attorney or by limited companies or other corporate bodies, a certified copy of the Power of Attorney or a copy of the approval of the relevant authority, as the case may be should be submitted along with the application form.
13. ITI is entitled at its sole and absolute discretion, to accept or reject any application, in part or in full, without assigning any reason. An application form which is not complete in all respects is liable to be rejected
14. Application, once submitted and acknowledged by the Collecting Bank, cannot be withdrawn.