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BOARD OF DIRECTORS

- Shri S.K. Chatterjee**
Chairman and Managing Director
(upto 31.03.2010)
- Shri K. L. Dhingra**
Chairman and Managing Director
(from 07.04.2010)
- Shri Ravi Agarwal**
Director-Production (upto 30.04.2010)
- Shri Tejbir Singh**
Director-Marketing (upto 31.01.2010)
- Shri B.P. Gupta**
Director-Finance
- Shri K.K. Khurana**
Director-Human Resources
- Shri R.K. Agarwal**
Director-Marketing (from 09.03.2010)
- Shri K. K. Gupta**
Director-Production (from 01.05.2010)
- Lt. Gen. P. Mohapatra, SO-in-C**
Director (Govt. Nominee)
- Shri A.K. Srivastava**
Director (Govt. Nominee)
- Shri C.K. Koshy, IAS (Retd.)**
Special Director (appointed by BIFR)
(upto 25.03.2010)
- Shri A.K. Jain, IAS (Retd.)**
Independent Director
- Shri V.H. Ron**
Independent Director
- Shri A.S. Bansal**
Independent Director
- Shri Keshav Saran**
Independent Director
- Prof. M. Balakrishnan**
Independent Director (from 09.03.2010)
- Shri T.S. Narayanasami**
Independent Director
(from 09.03.2010)
- Dr. S.K. Chaudhuri**
Independent Director (from 09.03.2010)

COMPANY SECRETARY

Shri K.T. Mayuranathan
(upto 28.06.2010)

Ms Rachana Choudhary
(from 21.07.2010)

LEGAL ADVISERS

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

AUDITORS

M/s. Karra & Company, Bangalore

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

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

M/s. Varier & Associates, Palakkad

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

M/s Rashid Associates, Srinagar

BANKERS

State Bank of India

State Bank of Patiala

State Bank of Bikaner & Jaipur

State Bank of Mysore

State Bank of Hyderabad

State Bank of Travancore

Bank of Baroda

Central Bank of India

Punjab National Bank

Development Credit Bank Limited

Indus Ind Bank Limited

Axis Bank Limited

Vijaya Bank

Indian Bank

Canara Bank

MANAGEMENT:**CORPORATE OFFICE**

Shri K. L. Dhingra
Chairman and Managing Director

Shri B. P. Gupta
Director- Finance

Shri K.K. Khurana
Director - Human Resources

Shri R. K. Agarwal
Director - Marketing

Shri K. K. Gupta
Director - Production

Shri M.K. Das, IPS
Chief Vigilance Officer

Shri S. K. Tikoo
General Manager - Finance

Ms Rachana Choudhary
Company Secretary

PLANTS/UNITS / PROJECTS

Bangalore Plant
Shri Ramesh K Murthy
General Manager

Naini Plant
Shri T. Usmani
General Manager

Rae Bareli Plant
Shri S. K. Mehra
Additional General Manager

Palakkad Plant
Shri Sanjeev Gupta
General Manager

Mankapur Plant
Shri. R.K. Purwar
Additional General Manager

Srinagar (J&K) Plant
Shri I.K. Munshi
Additional General Manager

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

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

GSM-Projects, Pune
Shri P.K. Gupta
General Manager

Business Co-ordination Office,
New Delhi
Shri A.K.Tiwary
Additional General Manager

NOTICE

NOTICE is hereby given that the SIXTIETH Annual General Meeting of ITI Limited will be held on Thursday, the 30th September, 2010 at 11.30 a.m. at BANGALORE TAMIL SANGAM No. 59, Annaswamy Mudaliar Road, Bangalore-560 042 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the Balance Sheet as at 31st March 2010, the Profit & Loss Account for the year ended on that date and the Auditors' Report thereon.
2. To appoint a Director in place of Shri V. H. Ron who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri A. K. Srivastava who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Lt. Gen. P. Mohapatra who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:

“RESOLVED to authorize the Board of Directors of ITI Limited to fix the remuneration, reimburse travelling allowance and out of pocket expenses of Statutory and Branch auditors of the Company to be appointed by Comptroller and Auditor General of India for the financial year 2010-2011.”

SPECIAL BUSINESS:

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

“RESOLVED that Shri K.L. Dhingra, who was appointed with effect from 7th April, 2010 as an Additional Director of the Company with the designation of Chairman and Managing Director by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in

respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

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

“RESOLVED that Shri R. K. Agarwal, who was appointed with effect from 9th March, 2010 as a Director- Marketing of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

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

“RESOLVED that Prof. M. Balakrishnan, who was appointed with effect from 9th March, 2010 as a Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

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

“RESOLVED that Shri T. S. Narayanasami, who was appointed with effect from 9th March, 2010 as a Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

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

“RESOLVED that Dr. S.K. Chaudhuri, who was appointed with effect from 9th March, 2010 as a Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

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

“RESOLVED that Shri K. K. Gupta, who was appointed with effect from 1st May, 2010 as a Director- Production of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

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

Place : Bangalore
Date : 04.08.2010

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

(RACHANA CHOUDHARY)
COMPANY SECRETARY

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 21.09.2010 to 30.09.2010(both days inclusive).
3. Members are requested to advise the Share Transfer Agents, M/s. Alpha Systems Pvt. Ltd, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore-560 003 and their respective Depository Participants immediately of any change in their address.
4. In accordance with the relevant provisions of the Companies Act, 1956, Shri V.H. Ron, Director, Shri A. K. Srivastava, Director and Lt. Gen. P. Mohapatra, Director of ITI will retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.
5. Consequent to the amendment of Section 224 of the Companies Act, 1956, the remuneration of Auditors appointed by Comptroller and Auditor General of India under amended Section 619, shall be fixed by the Company in General Meeting or in such other manner as the Company may determine.

Accordingly, the Shareholders are requested to approve the Resolution at Item No.5 of the Notice.
6. Members requiring information on the Accounts are requested to write to the Company atleast fifteen days before the date of the Meeting so that the required information could be kept ready.
7. Members/their Proxies/Representatives are advised to bring the Attendance Slip duly filled in and the Annual Report for attending the Meeting.
8. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto. Documents relating to any of the items mentioned in the Notice and Explanatory

Statement thereto are open for Inspection at the Registered Office of the Company on any working day during business hours.

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

For Item No. 6 Special Business

Shri K. L. Dhingra was appointed as Additional Director with effect from 7th April, 2010 with the designation of Chairman and Managing Director, on the Board of ITI Ltd in pursuance of letter No. 4-5/2009-Fac-II dated 5th April, 2010 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri K.L. Dhingra holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Shri K. L. Dhingra as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri Dhingra is a Master in Commerce (M.Com) and Master in Business Administration (MBA Finance) from Faculty of Management Studies (FMS), Delhi University. He has also done LLB (Academic). He has acquired additional Banking qualifications from India (CAIIB) and UK (ACIB, London). He secured the first rank in three of the courses on banking conducted by the Institute of Banking and Finance, Mumbai. He holds the distinction of being the only Indian who passed A.C.I.B. (London) examination globally in July, 1997.

He is also presently the Vice-Chairman of Standing Committee on Public Enterprises (SCOPE), an Apex body of the PSUs.

Prior to his joining ITI Ltd., he was Chairman and Managing Director, Housing & Urban Development Corporation Ltd. (HUDCO) and Director (Finance) in Mumbai Railway Vikas Corporation Limited (MRVC), a PSU under the Ministry of Railways and also in Indian Rare Earth Limited (IREL), a PSU under the Department of Atomic Energy.

Shri K. L. Dhingra is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

For Item No. 7 Special Business.

Shri R.K. Agarwal was appointed as Director-Marketing on the Board with effect from 9th March, 2010 in pursuance of letter No. 4-4/2009-FAC II dated 9th March, 2010 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri R.K. Agarwal holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Shri R.K. Agarwal as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Prior to taking over the charge of Director Mktg., he was General Manager (Corporate Marketing). An industrial Engineering Graduate, Shri Agarwal joined ITI Ltd. in 1976 as an Assistant Executive Engineer in the Company's Bangalore Plant. Shri Agarwal is having 33 years experience in areas such as manufacturing, quality control and marketing.

Shri R.K. Agarwal is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

For Item No. 8 Special Business

Prof. M. Balakrishnan was appointed as non-official part-time Director on the Board with effect from 9th March 2010 in pursuance of letter No. U 38014-2/2003-FAC dated 9th March 2010 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Prof. M. Balakrishnan holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Prof. M. Balakrishnan as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Shri M. Balakrishnan is a Professor in the Department of Computer Science & Engineering at I.I.T. Delhi. He has done B.E. (Hons) in Electronics & Electrical Engg. from BITS Pilani with 1st rank in 1977 and Ph.D. from EE Dept. IIT, Delhi in 1985. He worked as a Scientist in CARE, IIT Delhi from 1977 to 1985 where he was involved in designing and implementing real-time DSP

systems. For the last 22 years, he is involved in teaching and research in the areas of digital systems design, electronic design automation and embedded systems. He has supervised 8 Ph.D. students and published nearly 75 conference and journal papers. He has held visiting positions in University of Guelph (Canada), University of Syracuse (USA), University of Kiel (Germany) and University of Dortmund (Germany). He has been the Philips Chair Professor, Coordinator of the VLSI design, Tools & Technology Programme, Head of the Department of Computer Science & Engineering & Dean of Post Graduate Studies and Research at IIT Delhi. Currently he is the Deputy Director (Faculty) at IIT Delhi.

Prof. M. Balakrishnan is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

For Item No. 9 Special Business.

Shri T. S. Narayanasami was appointed as non-official part-time Director on the Board with effect from 9th March 2010 in pursuance of letter No. U 38014-2/2003-FAC dated 9th March 2010 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri T. S. Narayanasami holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Shri T. S. Narayanasami as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

He has done B.Sc. (Physics) and presently he is Managing Director & CEO of United Stock Exchange of India Ltd. He is also the Director of MTNL & Axis Asset Management Company Ltd. He is having vast experience in banking industry. He held the position of Chairman & Managing Director of Bank of India, Indian overseas Bank, and Andhra Bank. He served the Punjab National Bank as Executive Director and Union Bank of India in various capacities.

He was also Member, Primary Market Advisory Committee, Securities & Exchange Board of India. He was Chairman of the Managing Committee of Indian Bank's Association.

Shri T. S. Narayanasami is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

For Item No. 10 Special Business

Dr. S.K. Chaudhuri was appointed as non-official part-time Director on the Board with effect from 9th March 2010 in pursuance of letter No. U 38014-2/2003-FAC dated 9th March 2010 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Dr. S.K. Chaudhuri holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Dr. S.K. Chaudhuri as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

Dr. Chaudhuri who has done Ph.D. in finance, MA (Economics), M.Phil. Finance and B.Sc. Physics (Hons) has over two-and-a-half decades of experience in teaching, research & consultancy. He was a visiting scholar at J L Kellogg Graduate School of Management, USA and Manchester Business School, UK. He has served North Bengal University (West Bengal), Burdwan University (West Bengal) Management Development Institute (Gurgaon, Haryana) and International Management Institute (New Delhi). At present, he is a Director in Infrastructure Professional Enterprise (P) Ltd., New Delhi which is a growing consulting firm engaged in development sectors.

His area of expertise include corporate finance, corporate restructuring, strategic cost analysis & pricing, infrastructure project financing and risk analysis, financial modeling of PPP projects.

He has worked as lead/senior consultant in several domestic and international assignments funded by the

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

Place : Bangalore
Date : 04.08.2010

World Bank, USAID, Asian Development Bank, DFID, European Commission, etc. Dr. Chaudhuri has conducted several executive development programmes for executives of corporate sector, banks & financial institutions. He is having large number of publications to his credit.

Dr. S.K. Chaudhuri is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

For Item No. 11 Special Business

Shri K. K. Gupta was appointed as Director-Production on the Board with effect from 1st May, 2010 in pursuance of letter No. 4-6/2009-FAC II dated 9th March, 2010 issued by Ministry of Communications & IT, DoT, New Delhi. According to the provisions of Section 260 of the Companies Act, 1956, Shri K. K. Gupta holds Office of Director upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose the appointment of Shri K. K. Gupta as Director. Hence, the relative Resolution is placed before the Meeting for Members' approval.

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

Shri K. K. Gupta is deemed to be interested in the proposed Resolution to the extent of his appointment as Director. None of the Directors is interested in the Resolution.

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

(RACHANA CHOUDHARY)
COMPANY SECRETARY

TEN YEAR DIGEST

Rs. in Crores

OPERATING RESULTS	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Sales including services	4660	1741	1210	1818	1749	1389	1257	1795	2317	2144
Accretion/(Decretion) to Stock	(30)	21	(4)	(21)	(142)	(27)	(184)	(105)	142	45
Value of Production	4630	1762	1206	1797	1607	1362	1073	1690	2459	2189
Other Income	395	176	426	173	139	505	6	67	182	151
Direct Materials	4210	1476	884	1391	1140	1086	792	1074	1458	1174
Charges on Installation & Maintenance	47	75	61	78	75	61	120	157	116	108
Employees Cost	558	401	383	365	382	337	368	389	404	398
Depreciation	24	27	29	38	36	32	42	45	45	44
Financing Expenses	119	292	281	223	225	207	179	156	171	161
Other Expenses less Charges on Installation & Maintenance	498	313	290	239	314	440	262	310	421	425
Profit for the year	(431)	(646)	(296)	(364)	(426)	(296)	(684)	(374)	26	30
Prior Period Adjustments	(28)	(22)	(61)	(40)	(2)	(14)	(22)	(3)	(2)	(2)
Profit Before Tax	(459)	(668)	(357)	(404)	(428)	(310)	(706)	(377)	24	28
Provision for Tax / Deferred Tax/FRB	-	-	1	1	1	-	-	(2)	2	-
Add: Provision for tax of earlier years no longer required	-	-	-	-	-	-	-	-	-	-
Profit after Tax	(459)	(668)	(358)	(405)	(429)	(310)	(706)	(375)	22	28
Dividend	-	-	-	-	-	-	-	-	4	4
FINANCIAL POSITION	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Equity	288	288	288	288	288	288	88	88	88	88
Preference Shares	300	300	300	300	300	300	300	100	0	0
Preference Shares - Application	0	0	0	0	0	0	0	200	100	0
Money Received Pending Allotment										
Reserves & Surplus	2527	73	64	64	64	64	64	64	97	80
Revaluation Reserves	2448	2473	2499	2527	2654	-	-	-	-	-
Miscellaneous expenditure not written off	0	0	0	0	8	33	245	148	104	50
Profit and Loss Account-(Debit)	3622	3219	2551	2192	1787	1358	1048	343	-	-
Net Worth Funds with Revaluation Reserve	2016	(4)	686	1078	1638	(584)	(772)	54	294	234
Net Worth without considering DRE not written off and Revaluation Reserve	(432)	(2477)	(1813)	(1449)	(1008)	(551)	(527)	202	398	284
Grant-in-aid	75	81	86	91	127	155	69	93	113	116
Bonds	7	456	442	416	409	573	344	304	322	272
Other borrowings and deferred credit	271	1688	1789	1326	1572	1057	1414	1121	972	908
Gross Block	3681	3679	3657	3644	3631	932	1009	1006	986	955
Depreciation	1089	1040	987	933	768	735	767	747	709	665
Net Block	2592	2639	2670	2711	2863	197	242	259	277	290
Capital work-in-progress	1	2	1	2	5	4	1	6	12	10
Current Assets, Loans and Advances :										
Inventory	284	403	371	425	412	553	638	871	1048	867
Debtors	4921	2268	1825	1708	1662	1420	1189	1405	1273	1027
Others	631	350	354	398	522	448	267	347	356	187
Total Current Assets	5836	3021	2550	2531	2596	2421	2094	2623	2677	2081

TEN YEAR DIGEST (Contd...)

Rs. in Crores

FINANCIAL POSITION	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Current Liabilities and Provisions	6136	3523	2305	2425	1846	1581	1356	1414	1381	972
Working Capital	(300)	(502)	245	106	750	840	738	1209	1296	1109
Capital Employed (Net Fixed Assets+Working Capital)	2292	2137	2915	2817	3613	1037	980	1468	1573	1399
Sources of Funds:										
Shareholders' Fund	2016	(4)	686	1078	1638	(584)	(772)	54	294	234
Borrowings	278	2144	2231	1742	1981	1630	1758	1425	1294	1180
Deferred Tax	-	-	-	-	-	-	-	-	2	-
Total Funds	2294	2140	2917	2820	3619	1046	986	1479	1590	1414
Application of Funds:										
Net Fixed Assets	2592	2639	2670	2711	2863	197	242	259	277	290
Working Capital	(300)	(502)	245	106	750	840	738	1209	1296	1109
Capital Work in progress	1	2	1	2	5	4	1	6	12	10
Investments	1	1	1	1	1	5	5	5	5	5
Total Assets	2294	2140	2917	2820	3619	1046	986	1479	1590	1414

FINANCIAL RATIOS	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Profitability Ratios:										
Profit before interest and tax to capital employed [%]	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	12.40	13.51
Profit before tax to sales and Services (%)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	1.04	1.31
Profit after tax to Shareholders' Funds(%)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	7.48	11.97
Long term debt to Shareholders' Funds including Revaluation Reserves	0.05:1	N.A	0.79:1	0.48:1	0.31:1	N.A	N.A	9.48:1	1.74:1	2.20:1
Working Capital Ratios:										
Current Ratio	0.95:1	0.86:1	1.11:1	1.04:1	1.41:1	1.53:1	1.54:1	1.86:1	1.94:1	2.14:1
Working Capital in no. of months of value of Production	(0.78)	(3.42)	2.44	0.71	5.60	7.40	8.25	8.58	6.32	6.08
Inventory in no. of months of value of Production	0.74	2.74	3.69	2.84	3.08	4.87	7.14	6.18	5.11	4.75
Debtors(Net of Advances) in terms of months sales and services	8.50	7.21	12.84	7.80	9.79	10.62	9.94	8.39	5.94	5.13
Working capital to total Assets (%)	(13.08)	(23.46)	8.40	3.76	20.72	80.31	74.85	81.74	81.51	78.43
Cost of Direct Material to value of Production incl. Excise Duty (%)	90.93	83.77	73.30	77.41	70.94	79.74	73.81	63.55	59.29	53.63
Cost of Direct Material & Charges on Insttn. to value of Production incl. Excise Duty (%)	91.94	88.02	78.36	81.75	75.61	84.21	85.00	72.84	64.01	58.57

TEN YEAR DIGEST (Contd...)

Rs. in Crores

FINANCIAL RATIOS
Growth Ratios:

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Annual growth in value of Production (%)	162.77	46.10	(32.89)	11.82	17.99	26.93	(36.51)	(31.27)	12.33	0.32
Annual growth in Gross Block excluding Revaluation Reserve (%)	0.20	2.19	1.31	1.33	4.83	N.A	0.30	2.03	3.25	2.91

OTHER STATISTICS
Turnover composition:

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
To DOT / BSNL	4298	1507	806	1525	1448	998	1007	1285	2013	1927
Others	362	234	404	293	301	391	250	510	304	217
Total	4660	1741	1210	1818	1749	1389	1257	1795	2317	2144
Value added	335	222	242	328	355	188	201	490	770	762
No. of Employees as on 31st March	11737	12556	13045	13415	14257	14635	15221	19692	21518	22914
Value Added per Employee (Rs.)	275800	173431	182918	237063	245743	125938	115143	237806	346597	327876
Value of Production per Employee (Rs.)	3811798	1376509	911565	1298786	1112419	912379	614671	820189	1106860	941890

[Figures in brackets indicate negative figures]

FIGURES AT A GLANCE

BALANCE SHEET	Rs. in Crores	
	As at 31st March 2010	As at 31st March 2009
(a) What the Company owned		
Fixed Assets	3681	3679
Less: Depreciation	1089	1040
Net Block	2,592	2,639
Capital Work-in-Progress	1	2
Investments	1	1
Current Assets, Loans & Advances	5836	3021
Less: Current Liabilities	6136	3523
	(300)	(502)
	2,294	2,140
(b) Less: What the Company owed		
Bonds	7	456
Cash Credit	251	894
Government of India Loan	0	100
Loans from Financial Institutions/Others	20	304
Floating Rate Bonds	0	390
	278	2,144
(c) Shareholders' Funds [a]-[b]	2,016	(4)
Represented by:		
Share Capital	588	588
Reserves & Surplus	2527	73
Revaluation Reserve	2448	2473
Grant-in-aid	75	81
Less: Profit and Loss Account (Debit)	3622	3219
	1,428	(592)
Less: Misc.expenditure not written off	0	0
	1,428	(592)
	2,016	(4)

FIGURES AT A GLANCE Contd...

(Rs. in Crores)

PROFIT AND LOSS ACCOUNT	For the year ended 31st March 2010	For the year ended 31st March 2009
(a) What the Company earned		
Sales including services (including excise duty)	4,660	1,741
Other Income	395	176
Increase/(Decrease) in Work-in-Process, Stock-in-Trade and Manufactured Components	(30)	21
	5025	1938
(b) What the Company incurred		
Materials	4,257	1,551
Employees Cost	558	401
Depreciation	24	27
Financing Expenses	119	292
Other Expenses (including excise duty)	498	313
	5456	2584
(c) Profit for the year (a-b)	(431)	(646)
(d) Prior Period Adjustments	(28)	(22)
(e) Profit before tax	(459)	(668)
(f) Less : Provision for Taxation [FBT]	0	0
(g) Profit after tax	(459)	(668)

FIGURES AT A GLANCE Contd...

(Rs. in Crores)

SOURCES AND APPLICATION OF FUNDS	For the year ended 31st March 2010	For the year ended 31st March 2009
SOURCES OF FUNDS		
1. Depreciation	24	27
2. Increase in Borrowings	0	0
3. Reduction in Working Capital	0	746
4. Revenue Grant in aid received	311	125
5. Capital Grant in aid received	2509	0
6. DRE Written-Off	0	0
	2844	898
APPLICATION OF FUNDS		
1. Loss After Tax	459	668
2. Fixed Assets	2	13
3. Reduction in Borrowing	1866	87
4. Capital Grant-in-aid utilised	5	5
5. Increase in Working Capital	201	0
6. Increase in Investment	0	0
7. Revenue Grant-in-aid utilised	311	125
	2844	898

DIRECTORS' REPORT

To

The Members ITI Limited

Your Directors have pleasure in presenting the 60th Annual Report of the Company together with Audited Accounts and Auditors' Report thereon for the year ended 31st March 2010.

The Company has recorded the highest turnover in its history of Rs. 4660 Crs. for the year ended March 31, 2010. The turnover achieved this year is more than double its previous high of Rs. 2317 Crs. recorded in year 2001-2002.

PERFORMANCE:

The Company achieved Sales and Production of Rs. 4660 Crs. and Rs.4630 Crs. during the year 2009-10 as against Rs.1741 Crs. and Rs. 1762 Crs. respectively during the previous year 2008-09. This is the highest performance ever achieved by the Company since its inception. The sales and production have gone up by 167.66% and 162.77% respectively compared to previous year.

The Company's loss has come down from Rs. 668 Crs. of the previous year 2008-09 to Rs. 459 Crs. for the year 2009-10. Contribution for the year 2009-10 is Rs 309 Crs. as compared to Rs. 170 Crs. for the year 2008-09.

The Company had entered the year 2009-10 with an order book position of Rs. 5950 Crs. and advance purchase order of Rs. 450 Crs. During the year 2009-2010 the Company received fresh order of Rs. 889 Crs.

HIGHLIGHTS:

- ◆ The major projects and products that constituted the turnover of 2009-10 are: GSM West Zone, GSM South Zone, WLL-CDMA, SSTP equipment, GPON, SDH and Defence Products. Leaseline and Broadband equipment
- ◆ For the first time in country the Company in collaboration with M/s Aliphion Corporation, USA, deployed the G-PoN Technology in BSNL Network.
- ◆ The Company has setup State-of-the-art Tier-3+

Data Centre facility at Bangalore.

- ◆ The Company is executing Turnkey Project of Registrar General of India (RGI) for creation of Multi Purpose National Identification Card under National Population Register.
- ◆ During the year, ITI received a financial assistance from the Government of Rs. 2820 Crs. which helped the Company in partial cleaning of Company's Balance Sheet, as a result of which the Company's financial cost has come down from Rs. 292 Crs. during 2008-09 to Rs. 119 Crs. for the year 2009-10.
- ◆ The Productwise details of performance achieved by the Company during the year 2009-10 as compared to the previous year is as given below:

Rs. Crs.

Sl. No.	Product/Projects	2009 - 10	2008 - 09
1.	OCB - 283 CORE incl I/C	19.86	4.76
2.	OCB - 283 CSN	7.26	8.30
3.	OCB -TAX /TANDEM	-	-
4.	SSTP/IPTAX	101.38	57.05
5.	C-DOT PRODUCTS	6.02	18.87
6.	DIVERSIFIED PRODUCTS	8.45	6.34
7.	OPTIC FIBRE EQUIPMENTS	191.95	78.70
8.	SATCOM	2.22	7.48
9.	PCM MuX	9.46	16.11
10.	DWDM	8.25	128.87
11.	MLLN	27.36	66.50
12.	EPBT/CLIP PHONES	1.49	0.06
13.	GSM WZ(incl. BTS, RTT & Shelter)	1139.79	590.33
14.	GSM MTNL	109.91	11.39
15.	GSM SZ	2003.36	342.31
16.	WLL-INFRA	409.46	66.94
17.	IFWT	-	12.44
18.	ADSL CPE	19.78	45.86
19.	Misc. Products	17.79	17.87
20.	DEFENCE/ASCON	149.72	20.72

Sl. No.	Product/Projects	2009 - 10	2008 - 09
21.	NSU	66.43	90.36
22.	SIM CARDS	5.84	21.25
23.	MNID	9.00	-
24.	SMPS	16.14	25.08
25.	G-PoN	240.14	-
26.	Ros/CCO/IT	89.25	103.73
	TOTAL (including ED)	4660.32	1741.32

NEW PRODUCTS :

- ◆ National Population Registration (NPR) Project : ITI is one of the three Public Sector Undertakings short listed by RGI (Registrar General of India) for providing Multi Purpose National ID cards. The scope of work involves collection of citizen data including biometrics followed by preparation of ID cards. It is expected that this project will give a substantial turnover in the coming 2 to 3 years with good value addition.
- ◆ G-PON: ITI is currently manufacturing G-PON Equipments at Raebareli Plant in technical collaboration with M/s Alphion Corporation, USA. ITI is the first Indian Company to secure TSEC Certification for this product. Most of the Orders received from BSNL have already been executed and further orders are expected.
- ◆ Next Generation Networks : Next Generation Network (NGN) is a Soft Switch based Telecommunication network capable of providing services viz., Voice, Data & Video by encapsulating these into packets. Manufacture of IP TAX equipment, (Class IV) which is trunk automatic exchange and local exchange (Class V) based on Soft Switch architecture are planned.
- ◆ Wi-MAX / Wi-MAX CPEs : Wi-MAX stands for World wide Interoperability for Microwave Access. This is a new wireless technology for high speed Broadband access. ITI proposes to induct manufacture of Wi-MAX BTS and Wi-MAX CPEs (Customer Premises Equipment). Concurrently, ITI's R&D has initiated action for the development of

Wi-MAX CPEs.

- ◆ 10 Gbps DWDM equipments : ITI has set up facilities for manufacture of 10 Gbps DWDM Equipment at Naini Plant. ITI has also secured TSEC Certification for this product.
- ◆ Non-Telecom products : Solar power equipments for rural BTS sites; ITI has plans to manufacture Solar power equipments for rural BTS sites, which will help for better penetration of mobile communication into rural areas where availability of power is a major constraint.
- ◆ Restructured Accelerated Power Development & Reforms Programme (RAPDRP) : ITI is persuing to enter into this segment and has bagged big order of Rs. 307 Crs. from Tamilnadu State. R&D is also developing some of the products for this sector.

TECHNOLOGY ALLIANCES:

ITI has technology alliances with the leading Technology providers for the following product range:

Product	Technology provider
GSM-BTS	Alcatel-Lucent, France
G-PON	Alphion, USA
CDMA Infrastructure equipments.	ZTE, China
NGN (Class 4)	Huawei, China
NGN (Class 5)	ZTE, China
STM 1,4,16	Tejas, India
STM 64	Xalted, India
DWDM	ZTE, China
Microwave equipments	SAF Tehnika, Latvia
CLI phones	Pramod Telecom, India
ADSL -CPEs	SEM India
MLLN	Tellabs, Finland
SSTP	Tekelec, USA
Radio Modem	PointRed, India
SIM cards	WatchData, China
USIM Cards	Bartronics, India

EXPORT:

The exports of the Company for the year 2009-2010 was NIL.

FINANCE:

The performance of the Company for the year 2009-2010 as compared to the previous year is as follows:

(Rs. in Crs.)

SL. NO.	Particulars	2009-2010	2008-2009
i.	Sales including services	4660	1741
ii.	Value of Production	4630	1762
iii.	Loss before tax	459	668
iv.	Loss after tax	459	668
v.	Financing Expenses	119	292
vi.	Depreciation	24	27
vii.	Capital Employed (Net Fixed Assts + Net Current Assets)	2292*	2138*
viii.	R&D Expenditure	24	28

*Including Revaluation Reserves

DIVIDEND:

As your Company has incurred a loss, the Directors are not in a position to recommend any dividend for the year 2009-2010.

HIGHLIGHTS OF THE PRODUCTION PLANTS**BANGALORE PLANT:**

Bangalore Plant achieved a turnover of Rs.571.41 Crs. (with ED). Supply Consisting of WLL-CDMA Infra worth Rs. 409.46 Crs., Defence equipment of Rs.126.01 Cr, ADSL-CPEs worth Rs. 19.78 Crs., PCM MUX etc worth Rs.9.46 Crs., Switching equipment-OCB CSN exchange / C-DoT items etc worth Rs. 7.79 Crs. and SATCOM equipment worth Rs. 2.22 Crs.

State-of-the-art Tier-3+ Data Centre facility was set up at Bangalore. The Unit achieved saving of Rs. 1 Crs. by Shifting of Water Meter and Regularization of Power.

MANKAPUR PLANT:

Mankapur Plant achieved a turnover of Rs. 216.29 Crs.(with ED). The Plant supplied 2640 Nos. of GSM (BTS) and 20 Nos. Expansion Kit worth Rs. 206.63 Crs. and C-DoT products worth Rs. 5.49 Crs.

The plant has bagged 16th National Safety Award and 3rd National Energy Conservation Award. It is the First Plant to obtain ISO 9001:2008 Certificate.

RAE BARELI PLANT:

Rae Bareli Plant achieved a turnover of Rs.464.00 Crs. (with ED). The Plant supplied 4252 Nos. of GSM (BTS) and 1100 TRU Expansion worth Rs. 179.19 Crs., and SMPS worth Rs. 27.86 Crs. Further, the Plant achieved Rs. 240.14 Crs. from the supply of G PoN equipments, which were supplied for the First Time in the Country and Rs 16.30 Crs. from the sale of BSNL SIM Cards.

NAINI PLANT:

Naini Plant achieved a turnover of Rs.200.51 Crs. (with ED). Supply consisting of STM-16 worth Rs. 121.76 Crs.STM-1 worth Rs. 67.72 Crs., DWDM equipment worth Rs. 8.25 Crs., DDF worth Rs. 1.58 Crs. and STM 64 worth Rs.0.89 Crs.

This Plant has received ISO 14001: Environmental Management System Certification.

PALAKKAD PLANT:

Palakkad Plant achieved a turnover of Rs.166.90 Crs. (with ED). The Plant supplied SSTP worth Rs.101.38 Crs. LLN equipment worth Rs. 27.36 Crs. OCB-283 CORE worth Rs. 19.86 Crs. and SIM/USIM Cards worth Rs.5.84 Crs.

ITI was selected as one of the consortium member along with M/s BEL and M/s ECIL by RGI for the NPR Project. This Plant is executing the Project which includes Data Collection, Biometrics, Manufacturing and Personalization of Smart Cards. Turnover against this project in 2009-10 was Rs. 9.0 Crs.

SRINAGAR PLANT:

Srinagar Plant achieved a turnover of Rs.1.49 Crs.(with ED).

NETWORK SYSTEMS UNIT:

Network systems achieved a turnover of Rs. 90.14 Crs.(with ED) mainly comprising of annual maintenance contract for OCB exchanges worth of Rs. 50.22 Cr for BSNL & MTNL and AMC for ASCON worth Rs.18.71

Crs. The Unit has under taken ASCON Expansion work worth Rs. 5 Crs. and other external plants work of Rs 16.21 Crs.

This Unit has obtained ISO 9001: 2008 Certificate for Supply, Installation, Commissioning and Maintenance of Switching, Transmission, Civil Engineering, Cable Laying and Business Development activities.

REGIONAL OFFICES & CUSTOMER CARE ORGANISATION :

Regional Offices and Customer Care Organization achieved a turnover of Rs. 89.25 Crs. consisting of Rs.2.94 Crs. of ITI products, Rs.44.98 Crs. of other products, Rs.24.72 Crs. for Services and Rs. 4.84 Crs. towards CCO and Rs 11.77 Crs. towards IT Projects.

Regional Office, Bangalore bagged ONCO Net Project of NIC value Rs.6 Crs. It is to set up network for teleconsultation centers with facility for oncology treatment in the Country.

ITI bagged order for Security Survielliance from Defence & Para Military Forces.

GSM Projects:

The Company rolled out GSM Network against 9 ML Order in BSNL WZ worth Rs 741.76 Crs. and Rs 109.91 Crs. against 1 ML Order for MTNL, Mumbai.

GSM Network for BSNL, SZ was rolled out for a turn over Rs 2003.36 Crs.

FUTURE OUTLOOK :

- 1. Formation of Joint Venture Companies (JVCs) :**
The Government of India has approved formation of three JVCs for manufacturing the following product-mix with equity participation of 51% to 74% by the Strategic Partners who are Global manufacturers and balance equity by the Government.

(Rs. in Crs.)

Sl. NO.	Product	Location of JVC
1.	WiMAX and Associated Customer Premises Equipment (CPE)	Rae Bareli
2.	GEPON / GPON and Optical Transmission Equipments	Naini
3.	IP CORE Systems	Bangalore

The product lines are chosen in tune with the requirement of Government's "Mission Broadband to All" with an ambitious goal of providing 100 million broadband connections in the next 3 to 5 years. The formation of JVCs is under process.

- 2. Data Center :** ITI has already set up Tier 3+ state-of-the-art Data center at Bangalore on Private-Public Partnership model. Company is exploring setting up of Data center in other units of ITI to encash huge market potential in the area of secured data storing.
- 3. Network for Spectrum (NFS):** This project is allocated to BSNL by Ministry of Communications for release of spectrum by Defence. Estimated value of project is Rs 10000 crore. ITI is also trying to get orders for this project.
- 4. IT Projects:** All the State Governments are aggressively pursuing e-Governance and taking the benefit of IT to the lowest level upto Village Panchayat and they have made substantial budget provision for the same. ITI is aggressively addressing this Market segment.
- 5. Non-Renewable Energy Products:** ITI has plans to diversify into manufacture of Green energy products like Solar power systems. ITI is contemplating to be a significant contributor to the Government's ambitious Solar Mission (Jawaharlal Nehru National Solar mission) with a objective of making India as global leader in the manufacture of Solar power equipments. ITI also has plans to manufacture Solar power equipments and fuel cell power systems for rural BTS sites, which will help for better penetration of mobile communication into rural areas where availability of power is a major constraint.

CONTRIBUTION TO EXCHEQUER:

During the year, your Company has contributed Rs. 370.81 Crs. to the exchequer towards duties and taxes.

PUBLIC DEPOSITS:

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

REVIEW OF ACCOUNTS BY INDIAN AUDIT AND ACCOUNTS DEPARTMENT:

The Accounts for the year 2009-10 under review by the Indian Audit and Accounts Department is appended.

JOINT VENTURES :

1. INDIA SATCOM LIMITED

ITI Limited had sold its entire (49%) equity stake in India Satcom Limited for a sales consideration of Rs. 3 Crs. in favour of M/s Chris Tech Systems Pvt Ltd. and sale proceeds are kept in Escrow Account awaiting Government Approval.

2. ITI COMMUNICATIONS PTE. LIMITED, SINGAPORE (ITI - C):

In the year December 1992, a Joint Venture was formed by ITI with M/s Valvas and M/s ISL in the name of M/s ITI Communications Pte Ltd. Singapore. As ITI-C was running into losses Board of Directors in its 314th Meeting held during 1999 decided to close this venture through winding up process.

QUALITY:

ITI has a well-established Quality Assurance wing in every Production Unit. Each Unit QA is responsible for Quality of Products and services rolling out of the Unit. The Units are well equipped with a variety of Environmental test facilities, Test systems and Instruments for carrying out elaborate tests for conducting Reliability Evaluation on all products to ensure customer satisfaction. The Quality Policy of ITI is to "provide Competitive and Reliable Products, Solutions and Services." ITI is achieving this through sound Quality Management Systems.

ITI Palakkad is granted AIS (Approved Inspection Scheme) status by BSNL QA for SIM Cards. Localisation activities continued during the year to procure items such as cables, connectors and PCBs for GSM-BTS Project with Alcatel approval and after approval from VDC/VRC of R&D, Bangalore.

All the Six manufacturing Plants of the Company stand accredited and upgraded to International ISO Standards of Quality Management as on date. Rae

Bareli & Mankapur plants were upgraded to ISO 9001:2008 during financial year 2008-2009 and Palakkad & Srinagar plants during year 2009-2010. Naini Unit is in the process of upgradation. Network System Unit was awarded ISO 9001:2008 Certification during 2009-2010.

Keeping in tune with the Global concern for Environmental Management, the Company has gone in for ISO 14001: 2004 EMS Certification for most of the Plants. While Units like Bangalore, Palakkad and Mankapur are maintaining the certification to ISO 14001:2004 EMS Standards, Naini and Rae Bareli Units are in the process of certification.

MANPOWER

Employee Strength at the end of the year 31st March 2010 was 11737 compared to 12556 at the end of the previous year.

As on 31.03.2010, there were 2064 employees belonging to Scheduled Castes and 105 belonging to Scheduled Tribes employees, thus constituting 17.59 % and 0.89 % respectively of the total strength of employees on the rolls of the Company. 14 employees belonging to SC and 01 belonging to ST were recruited during the year 2009-10.

Employees belonging to Ex-servicemen category numbering 62 and Physically Challenged Persons numbering 150 were on the rolls of the Company as at the end of the financial year. One PWD person was recruited during the year 2009-10.

Promotions exercise for officers was held during the year 2009 and the eligible officers were considered for promotion / upgradation to the next higher level.

HUMAN RESOURCE DEVELOPMENT:

The year 2009-10 was all set to build futuristic trends in telecom technology, Information Technology and HRM through appropriate Skill upgradation amongst all sections of employees in the company. HRD initiatives were also oriented towards educating the middle and senior management executives, in particular, on the concepts and process of turnaround strategies to provide a philip to the company's revival process.

On telecom technology, skill up gradation training programmes included on 2G, 3G, GPON, GEAPON, WiFi, WiMax, RF Planning, SDH, DWDM and so on. 823 employees have been imparted training.

IT related training programmes focused on developing basic computer skills and creating awareness on information security. The programme on “Computer Hardware and Networking” exclusively designed and organized for Marketing Personnel to educate them on the technical and commercial / tendering aspects was one of the highlights. More than 559 employees have been trained in IT discipline.

Number of need-based Executive Development Programmes were organized to refresh and update conceptual knowledge and develop soft skills in areas like HR, Quality, Marketing to name a few. Company wide Business Awareness Workshops conducted for Senior Executives, Refresher course on Right to Information Act, 2005 were the highlights of the year in Executive Development. Nearly 950 employees have been trained through Executive Development Programmes. Similarly, number of need-based awareness programmes on health, safety, community etc., were organized all over the company covering 517 employees.

In a nutshell, during the year, company has trained more than 2900 employees scoring 4128 training man days in over 97 in-house and 12 external training programmes. Management was considerate also to train the employees through external renowned institutions in the areas where conducting in-house training programmes was not feasible. 54 employees were trained externally.

INDUSTRIAL RELATIONS

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

OFFICIAL LANGUAGE:

All Units / Offices have established Check-points in their concerned offices to make more efforts for effective

Implementation of the Official Language Policy, monitored by the Official Language Implementation Committees constituted in every Unit / Office.

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

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

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

Official Language Cell was given an appreciation letter by the Director-OL, Official Language Department DoT, New Delhi.

For Bangalore based Units / Offices, a short-term 5 days “Hindi Translation Training” Programme was organized in Corporate Office, HR(ED) Conference Hall w.e.f. 01.02.2010 to 06.02.2010 with the help of Home Ministry, Official Deptt., Central Translation Bureau, New Delhi & Bangalore and more than 40 Officers / Non-Officers participated & they were trained during this training programme.

A Joint Hindi Fortnight Programme for Bangalore based PSUs / Organisations between 23.11.2009 & 15.12.2009 was organized by TOLIC, Bangalore and various types of competitions were arranged during this occasion. On this occasion many officers/Non-officers of ITI Limited, Bangalore based Units / Offices participated in these competitions and more than 15

Officers / Non-Officers have got the prizes. On the TOLIC Meeting & valedictory function held on 07.01.2010, the President, TOLIC gave cash prizes and certificate to the winning participants.

“Hindi Fortnight” was celebrated and Hindi Workshops were organised for encouraging progressive use of Hindi during 2009-10. Company's website has been made bilingual (i.e. English and Hindi).

VIGILANCE :

During the year Vigilance Department functioned as an effective part of Management. The main focus of the vigilance activities was to sensitize the employees towards transparent, ethical and professional approach towards their duties and responsibilities. Greater emphasis was laid on preventive vigilance. CVC guidelines and Government policies in this regard have been followed.

RIGHT TO INFORMATION:

The Right to Information Act, 2005 has enabled all the citizens to seek information. Since introduction of the Act, a mechanism has been drawn to process all requests received by Corporate Office/ Units under the Act. The Units and Regional offices have designated PIOs/APIOs with CPIO & Appellate authority at the Corporate Office.

The main objective has been to ensure total transparency. The requests are processed and information is being provided to the Appellants within the stipulated time frame. The details are also put on the web site www.itiltltd-india.com.

During the year 2009-10, 176 requests were received, out of which 151 were accepted and 13 were rejected. The Annual Returns are submitted to the Ministry every year for forwarding to the Central information Commission.

AWARD:

Public Relations Council of India (PRCI) has conferred Special Corporate Collateral Award 2010 to ITI Ltd. for its House Journal “Doorvani” at a function held in New Delhi on April 3, 2010.

SALES PROMOTION:

1. ITI participated in the 18th Convergence India 2010 International Exhibition & Conference organized by Exhibitions India Group from March 23-25, 2010 at Pragati Maidan, New Delhi by putting up a display in a fabricated stall no. B132 over an area of 36 sqm.
2. ITI participated in the INDIA TELECOM 2009, 4th International Exhibition & Conference organized by DoT/FICCI from December 3-5, 2009 at Pragati Maidan, New Delhi by putting up a display in a fabricated stall no. 18D3 over an area of 55 sqm.

EVENTS:

1. ITI signed a Memorandum of Understanding (MoU) with the Telecom Commission setting a gross sales target of Rs. 8,000 Crores for the year 2010-11 on March 15, 2010.
2. Shri Gurudas Kamat, Union Minister of State for Communications and Information Technology inaugurated the new Integrated R&D laboratory at ITI Plant in Bangalore on March 17, 2010.
3. Shri Ajay Maken, Union Minister of State for Home Affairs, reviewed the progress of ongoing National Population Register (NPR) project in Kochi on March 20, 2010 along with the state govt. authorities of Kerala and the CPSU consortium BEL, ECIL and ITI.
4. Shri Monsieur Augustin, Minister of Telecommunication and Posts, Madagascar and his three-member team visited ITI Bangalore Plant on August 27, 2009.

ENTERTAINMENT EXPENDITURE AND FOREIGN TRAVEL:

The expenditure on entertainment was NIL. Expenditure on official travel abroad by the officials of the Company amounted to Rs. 0.80 lakhs during the year.

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

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange

Earnings and Outgo, required to be disclosed under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are annexed.

PARTICULARS OF EMPLOYEES:

The statement of particulars of employees drawing remuneration of Rs.24 lakhs and above per annum or Rs.2 lakhs and above per month are required to be included in the Directors' report as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975, as amended, are NIL for 2009-2010.

AUDITORS:

Pursuant to Section 619(2) of the Companies Act, 1956, M/s. Karra & Company, Chartered Accountants, Chennai were appointed as Statutory Auditors of the Company for the year 2009-2010 by the Comptroller & Auditor General of India.

The following firms of Chartered Accountants were appointed /re-appointed as Branch Auditors for different Plants of the Company for the year 2009-2010:-

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

M/s Varier & Associates, Palakkad, Palakkad Plant

M/s Rashid Associates, Srinagar, Srinagar Plant

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

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

BOARD OF DIRECTORS:

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

On attaining the age of superannuation, Shri Tejbir Singh, Director Marketing was relieved of his duties from the post on 31.01.2010. Shri R.K. Agarwal has assumed the charge of Director- Marketing w.e.f 09.03.2010.

Government of India, Department of Telecommunications, New Delhi vide their letter No. U 38014-2/2003-FAC dated 09.03.2010 has appointed the following three dignitaries as non-official part-time Directors on

the Board of ITI Limited Prof. M. Balakrishnan, Shri T.S. Narayanasami, Dr. S.K. Chaudhuri.

Consequent on attaining the age of 65 years, Shri C.K. Koshy, Special Director appointed by BIFR is relieved of his duties from the post on 25.03.2010.

Consequent on attaining age of superannuation, Shri S.K. Chatterjee, Chairman and Managing Director is relieved of his duties from the post on 31.03.2010. Shri K.L. Dhingra has taken over the charge as Chairman and Managing Director of the Company on 7th April, 2010.

Consequent on attaining age of superannuation, Shri Ravi Agarwal, Director Production is relieved of his duties from the post on 30.04.2010. Shri K.K. Gupta has assumed the charge of Director Production w.e.f 01.05.2010.

In accordance with the requirements of the Companies Act, 1956, Shri V. H. Ron, Independent Director, Shri A.K. Srivastava, Govt. Director and Lt. Gen. P. Mohapatra, Govt Director will retire by rotation at this Annual General Meeting and eligible, offer themselves for re-appointment.

Your Directors wish to place on record their appreciation of the services rendered by Shri Tejbir Singh, Shri S.K. Chatterjee, Shri Ravi Agarwal and Shri C.K. Koshy.

CORPORATE GOVERNANCE:

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

DIRECTORS' RESPONSIBILITY STATEMENT:

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

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

been applied consistently, judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2010 and Loss of the Company for the period ended 31.3.2010

- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT:

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

forward for their continued support and co-operation in future.

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

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

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

For and on behalf of the BOARD OF DIRECTORS

Place : Bangalore
Date : 08.09.2010

(K. L. DHINGRA)
CHAIRMAN AND MANAGING DIRECTOR

ADDENDUM TO THE DIRECTORS REPORT

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

Point No	Statutory Auditors Observations	Company's Remarks
7a	As stated in Accounting Policy No. 3.0 on Valuation of Inventories, Manufactured items and items lying as Work in Progress are valued at the lower of cost and net realizable value. However in Bangalore plant stocks amounting to Rs.27.48 Crores have been carried at cost due to difficulty in ascertaining the Net Realisable Value. We are unable to ascertain the quantum of reduction in the value of inventory if any and consequent impact on the financial statements.	The valuation for most of the items is in line with Accounting Policy. For certain items lying in inventory it is not possible to ascertain Net Realizable Value as for some manufactured/semi-manufactured items Net Realisable Value or Sale Price is not available. A few items are retained for maintenance/AMC purposes where the margin is generally higher than normal sales value and these items are not available off the shelf. Certain equipments like CD0T, E-10B, OCB-283 equipments etc are being manufactured only by ITI presently and no comparable rates are available.
7b	Inventory of the Company comprises of dormant stocks, work-in-progress, and stock held in the course of trade for two years and more aggregating to Rs.87.98 Crores. Out of such stocks held at Naini Plant there is a short provision to the extent of Rs. 13.21 crores towards obsolescence. This has resulted in understatement of loss and Overstatement of inventories to the extent of Rs.13.21 Crores. As regards provision of Rs. 11.30 Crores made towards such stocks held at Bangalore Plant we are unable to comment on the adequacy of the provision and consequent impact on the financial statements.	<p>Technical Committee at the Unit level reviews the inventory periodically and at the year end they give their recommendation for making additional provision/write off, if any, in respect of such non moving/Dormant/obsolete inventory available in the Unit.</p> <p>The company is required to supply spares for the equipments supplied to the major customers for next 7 to 10 years and inventory which was provided for in earlier is getting used in some cases.</p> <p>In view of the above facts it is clear that the balance inventories which are available in the Units are usable. The Company is also actively following up for orders from customers for these spares/items and it is felt that inventory held by the Unit will be sold/utilized.</p>
7c	The Company has not provided for a sum of Rs.26.85 Crores being penalty levied for non-payment of guarantee fee. This has resulted in understatement of Loss and Current Liabilities to the extent of Rs. 26.85 Crores	<p>The Company has taken up with Ministry and also with BIFR for waiver of Guarantee Fees and penalty thereon. The matter is under consideration of the Ministry.</p> <p>Since the Company is likely to get waiver, no penalty on Guarantee Fee has been considered in the accounts. Provision of Guarantee fee has already been made.</p>
7d	Deposits with Central Excise and Customs department amounting to Rs.43.74 crores require to be confirmed. The impact if any, on financial statements is not ascertainable.	Reconciliation of these deposits is a continuous process and is in progress. This fact is also covered in Schedule 10 Note No.15 of the company accounts.
7e	Balances in the accounts of creditors, debtors, claims & expenses recoverable, loans & advances, deposits, goods with third parties and other payables are subject to reconciliation, confirmation, and consequential adjustments (Refer Note no. 15). The impact if any, on financial statements is not ascertainable.	Confirmation of balances in all cases is not practicable. Confirmation letters sent to the parties remain unanswered in most of the cases. This fact is also covered in Schedule 10 Note No.15 of the company accounts.

ADDENDUM TO THE DIRECTORS REPORT

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

Point No	Statutory Auditors Observations	Company's Remarks
7f	Interest & penalty leviable, if any, for non-remittance of statutory dues, on the sales recognized on provisional basis and on the delayed / short remittance of other statutory dues is not ascertainable at present.	All known liabilities have been accounted for.
7g	Interest & penalty leviable if any, for violation of the provision of Income Tax Act 1961, for non -deduction of TDS, is not ascertainable at present.	To the best of our knowledge there are no such cases at present.
7h	The Company has not provided interest on non payment of royalty payable. The impact on financial statements is not ascertainable. (Refer Note no. 8)	Interest on Royalty payable to C-DOT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time from C-DOT on account of Rent payable on our premises leased out to them.
7i	The company has not provided Service Tax on Renting on Immovable Property. The impact on financial statements is not ascertainable. (Refer Note no. 49)	Since the applicability of effective date of Service tax on rental income is sub-judice, company has not provided for the same.
7j	The impact of notes 7b to 7d has resulted in understatement of loss to the extent of Rs.40.06 Crores, understatement of liabilities by Rs.26.85 Crores and overstatement of Inventories by Rs.13.21 Crores. The impact of the note 7a, note 7b to the extent of adequacy of provision in Bangalore plant and notes 7d to 7i if any on financial statements is not ascertainable.	Response to all comments 7a to 7i is already made above.
i b	According to information and explanation given to us, all fixed assets have been physically verified by the management in a phased manner except for Srinagar, Rae Bareli, R & D, and Regional offices. No material discrepancies in physical verification have been reported to us.	Physical verification of fixed assets will be conducted in a phased manner in Srinagar, Rae Bareli, R & D and Regional offices.
ii a	According to information and explanations given to us the inventories (excluding the stocks with third parties) have been physically verified by the management at reasonable intervals except for Srinagar.	Due to the unprecedented Disturbance in the valley this could not be done.
ii c	According to information and explanation given to us the company is maintaining proper records of inventory except for WIP of Rae Bareli unit. No material discrepancies were noticed on physical verification of inventory.	Action is being taken to maintain records in Rae Bareli unit also.

ADDENDUM TO THE DIRECTORS REPORT

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

Point No	Statutory Auditors Observations	Company's Remarks												
vi	Company has its own Internal Audit department. However, in our opinion the internal audit suffers from serious inadequacies such as lack of personnel, inadequate coverage of the extent and scope of the work and regular reporting in order to be commensurate with size and nature of its business.	Company is making efforts to infuse more people in the Internal Audit Department and improve coverage, extent and scope of the internal audit work.												
viii b	According to information and explanation given to us, following undisputed statutory dues are in arrears for more than 6 months and remains unpaid on 31.3.2010.	Regarding Excise duty, Sales Tax, and Entry Tax, known demands have been provided for. As regards PF dues action is being taken to remit the same to the concerned authorities. The amount of Rs.47.43 lakhs will be remitted upon improvement in the financial health/ cash flow of the Company.												
	<table border="1"> <thead> <tr> <th>Statutory Dues</th> <th>Amount (Rs. In Lacs)</th> </tr> </thead> <tbody> <tr> <td>Provident Fund</td> <td>1032.92</td> </tr> <tr> <td>Investor Education and Protection Fund</td> <td>47.43</td> </tr> <tr> <td>Excise Duty</td> <td>Not ascertained on sale recognized on provisional basis</td> </tr> <tr> <td>Sales Tax</td> <td>Not ascertained on sale recognized on provisional basis</td> </tr> <tr> <td>Entry Tax</td> <td>Not ascertained on sale recognized on provisional basis</td> </tr> </tbody> </table>	Statutory Dues	Amount (Rs. In Lacs)	Provident Fund	1032.92	Investor Education and Protection Fund	47.43	Excise Duty	Not ascertained on sale recognized on provisional basis	Sales Tax	Not ascertained on sale recognized on provisional basis	Entry Tax	Not ascertained on sale recognized on provisional basis	
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Provident Fund	1032.92													
Investor Education and Protection Fund	47.43													
Excise Duty	Not ascertained on sale recognized on provisional basis													
Sales Tax	Not ascertained on sale recognized on provisional basis													
Entry Tax	Not ascertained on sale recognized on provisional basis													
ix	The net worth of the company (with out reckoning the revaluation reserve) as on 31.3.2010 has completely eroded. Further company has incurred cash losses of Rs. 434.45 Crores & Rs. 641.10 Crores for the financial year 2009-10 and 2008-09 respectively. The cash losses for both the financial years have been arrived at with out reckoning the effect of audit qualifications in our reports.	The net worth eroded due to the losses incurred by the company during last few years. The company is already registered with BIFR. Efforts for revival are on and Rs.2820 crores grant has helped ITI to reduce its liabilities considerably. Draft Rehabilitation Scheme for revival of ITI is under submission.												

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY:

(a) Energy conservation measure taken:

The Company has under taken following energy saving measures:

1. Recommendations of Bureau of Energy Efficiency has been implemented from time to time.
2. Regulated operation of plants and equipments to meet the optimum requirements.
3. Monitoring of power factor at regular interval.
4. Replacement of old high capacity equipments with multiple optimum size capacity energy efficient ones.
5. Replace conventional electromagnetic ballast fluorescent fitting with electronic ballast fluorescent tri phosphate lamp fitting.
6. Running time of various tube wells / compressors has been rationalized.
7. Replacement Old and less energy efficient UPS by portable small capacity UPS.
8. Offloading of Central Air Conditioning plant in winter season.
9. Use of timer control devices in street lighting, etc.
10. Diverting the load on single transformer to reduce no-load losses.
11. Power factor management of power distribution.

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

B. TECHNOLOGY ABSORPTION:

Efforts made in Technology absorption as per Form B

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

FORM 'B'

RESEARCH & DEVELOPMENT (R & D)

(i) Specific areas of R & D work.

- a) Development of new products in areas of Encryption, Wireless, NMS & SCADA with latest technologies.
- b) Value addition to the developed products
- c) Contract development for others
- d) Design of network solution

(ii) Benefits derived as a result of the above R & D.

- a) The following R & D Products were productionised which contributed more than 133 Crores to the turnover of the Company.
 - 1) ANANDA MK II BE
 - 2) MIL PCM SECRECY
 - 3) LVSAT EDU
 - 4) TELEPHONESET 5C
 - 5) PCM MUX DATA CARDS
 - 6) NAVAL TELEPHONE
- b) RDSO Evaluation of SCADA for Railways in progress.
- c) SDH STM-16 Bulk Encryptor development completed and to be offered for field trial to Defence.
- d) RDSO certificate obtained for PCM MUX for Indian Railways.

(iii) FUTURE PLAN OF ACTION:

- a) Next Generation Bulk Encryptor unit (NGN BEU) is in progress for Defence.
- b) IP Encryptor development is completed and offered for customer evaluation.
- c) Prototype model of Biometric Electronic Voting machine is completed.
- d) SCADA for power sector and water management have been taken up for development.

(iv) R & D Expenditure

a) Capital	Rs.	0.18 Crs.
b) Revenue	Rs.	24.38 Crs.
TOTAL	Rs.	24.56 Crs.

Total R & D Expenditure as a percentage of total: 0.53 %
turnover (Including Excise Duty)

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief made towards technology absorption, adaptation and innovation:
 - a. Manufacture of GSM BTS at Mankapur and Rae Bareli plants.
 - b. Development and manufacture of Tower, Shelter, SMPS for GSM Network.
 - c. Entering into technology alliance for manufacture of equipments for Mobile Communications, Broadband networks, Next Generation Networks and Customer Premises Equipments.

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

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

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year);

GSM-BTS manufacturing has now fully stabilized.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

Offered external plant solutions; supply of spare cards. Development of new Export Markets for products and services.

- (ii) Total Foreign Exchange earning and outgo:

Earnings : Rs. 0.03 Crs

Outgo : Rs. 1470.93 Crs.

Registered Office:

ITI Bhavan,
Doorvaninagar,
Bangalore - 560 016

For and on behalf of Board of Directors

K. L. DHINGRA
Chairman and Managing Director

Place : Bangalore
Date : 08.09.2010

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

REPORT ON CORPORATE GOVERNANCE

Corporate Governance provides a principled process and structure through which the objective of the Company, the means of attaining the objectives of enhancing shareholder value and systems of monitoring performance are set. The Company has complied with guidelines on Corporate Governance for CPSEs. In pursuance of Listing Agreement with the stock exchanges, the report on Corporate Governance is as follows:

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:-

Your Company's philosophy of Corporate Governance is based on the principles of honesty, integrity, transparency in decision making, legal compliances, accountability, adequate disclosures. The Company firmly believes that good Corporate Governance practices should be enshrined in all activities of the Company to ensure efficient conduct of the affairs of the Company, discharging social responsibilities as a corporate citizen, customer satisfaction, enhancing shareholder value etc.

ITI Limited is committed to achieve and maintain good standards of Corporate Governance.

2. BOARD OF DIRECTORS:-

As on 31st March 2010, Board of Directors comprises of Chairman & Managing Director, 4 Full Time Directors, 1 Part-time Director from Ministry of Communications & IT, 1 Part-time Director from Ministry of Defence, Government of India and 7 Independent Directors.

During the year, 6 Board Meetings were held on 24.04.2009, 29.07.2009, 07.09.2009, 29.10.2009, 28.01.2010 and 10.03.2010.

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

Name of the Directors	Category Of Director-Ship	Meeting held during respective tenure of Director	No. of Board Meeting attended	Attendance at last AGM	Number of Other Directorship	No. of Committees in which Chairman / Member
Shri S.K. Chatterjee	CMD	6	6	Yes	1	--
Shri Ravi Agrawal	DR-P	6	6	Yes	1	--
Shri Tejbir Singh (upto 31.01.2010)	DR M	5	5	Yes	--	--
Shri B.P.Gupta	DR-F	6	6	Yes	1	--
Shri K.K.Khurana	DR-HR	6	6	Yes	--	--
Shri R. K. Agarwal (w.e.f. 09.03.2010)	DR-M	1	1	NA	--	--
Lt.Gen.P.Mohapatra	Govt. Nominee	6	1	No	2	--
Shri A. K. Srivastava	Govt. Nominee	6	5	No	2	--
Shri C.K. Koshy (upto 25.03.2010)	Special Director	6	3	Yes	1	--
Shri A.K.Jain	Independent Director	6	6	Yes	1	2

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

Name of the Directors	Category Of Director-Ship	Meeting held during respective tenure of Director	No. of Board Meeting attended	Attendance at last AGM	Number of Other Directorship	No. of Committees in which Chairman / Member
Shri V.H.Ron	Independent Director	6	3	No	1	--
Shri A.S. Bansal	Independent Director	6	6	Yes	3	--
Shri Keshav Saran	Independent Director	6	4	No	--	--
Prof M. Balakrishnan (w.e.f. 09.03.2010)	Independent Director	--	--	NA	1	--
Shri T.S. Narayanasami (w.e.f. 09.03.2010)	Independent Director	--	--	NA	4	--
Dr. S.K. Chaudhuri (w.e.f. 09.03.2010)	Independent Director	--	--	NA	1	--

CODE OF CONDUCT :

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

3. AUDIT COMMITTEE:

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

The Audit Committee is reconstituted on 07.05.2010. The reconstituted Audit Committee is of Seven members comprising of Shri A.S. Bansal as Chairman, Shri A.K. Jain as Member, Shri V.H. Ron as member, Shri Keshav Saran as Member, Shri K. K. Gupta as Member, Shri T.S. Narayanasami as Member and Shri A.K. Srivastava as member. In addition, the Statutory Auditors of the Company, the Director- Finance, Internal Auditor and other Executives who are considered necessary generally attend these meetings. The Company Secretary is the Secretary to the Audit Committee.

The primary objective of the Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and ensure the integrity and quality of financial reporting and internal controls.

During the year-ended 31.03.2010 the Audit Committee met 7 times on 24.04.2009, 29.07.2009, 07.09.2009, 29.10.2009, 11.12.2009, 28.01.2010 and 10.03.2010.

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

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

Name	Meeting held during respective tenure of Director	No. of meetings attended
Shri A.K. Srivastava	7	6
Shri Ravi Agarwal	7	7
Shri A.S.Bansal	7	7
Shri A.K. Jain	7	7
Shri V. H. Ron	6	4
Shri Keshav Saran	7	5

4. REMUNERATION COMMITTEE / REMUNERATION POLICY

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

The remuneration paid to Whole-time Directors for the financial year 2009-10 are as follows:

(Remuneration in Rs.)

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
1. Shri S.K. Chatterjee	763245	3792	91614	111969	970620
2. Shri Ravi Agarwal	685500	61217	81828	101028	929573
3. Shri Tejbir Singh	547780	163382	65853	81267	858282
4. Shri B.P.Gupta	666566	137954	79555	98184	982259
5. Shri K.K.Khurana	680251	118835	81699	97135	977920
6. Shri R.K. Agarwal	42445	--	5067	6255	53767

Part-time Government Directors (non-executive Directors) are not paid any remuneration. They are also not paid sitting fees for attending Board/Committee meetings. However, the Independent Directors are paid sitting fees of Rs.2000 (enhanced to Rs. 3000/- w.e.f.12.05.2010 by Ministry) for attending Board/Committee Meetings. An amount of Rs. 96,000/- has been paid as sitting fee to the Independent Directors during the year for attending the Board and Committee Meetings.

5. SHARES AND BONDS TRANSFER COMMITTEE:

The Shares and Bonds Transfer Committee is a single member Committee headed by single member Shri B.P.Gupta, Director-Finance.

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

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

6. INVESTORS' GRIEVANCE COMMITTEE:

The Investors' Grievance Committee consists of Shri V.H.Ron as Chairman, Shri A.K. Srivastava and Shri K.K. Khurana as members. The committee looks into the grievances of the investors of the company.

The Company has a shareholders base of 42,229. During the year 3 complaints in the nature of non- receipt of dividend warrants, non-receipt of share certificates after effecting transfer, requests for issue of duplicate share certificates, non-receipt of Annual Report were received from the shareholders. All the complaints were resolved to the satisfaction of the shareholders.

7. GENERAL BODY MEETINGS:

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

YEAR	DATE	TIME	VENUE
2008-2009	30.09.2009	11.30 A.M.	BANGALORE TAMIL SANGAM, BANGALORE
2007-2008	29.09.2008	11.30 A.M	DR.B.R.AMBEDKAR BHAVAN, BANGALORE
2006-2007	28.09.2007	11.00 A.M	GURUNANAK BHAVAN, BANGALORE

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

8. DISCLOSURES:

- (i) There were no transactions of material nature with the directors or the management or their relatives during the year.
- (ii) There were no cases of non-compliance by the Company and no penalties/strictures were imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authority on any matter related to capital markets, during the last three years.

9. MEANS OF COMMUNICATION:

The Company's corporate website www.itilt-d-india.com provides comprehensive information about its portfolio of businesses. The quarterly and annual financial results of the Company are sent to the Stock Exchange by means of facsimile transmission/e-mail and letter by courier immediately after they have taken on record by the Board.

The un-audited 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.itilt-d-india.com and EDIFARSEBI website www.sebiedifar@nic.in, press advertisements, etc. The quarterly unaudited results are published in the Business Standard and Udayavani (in kannada). Press releases are also being sent to the Stock Exchange and posted on Company's website.

No presentation has been made to institutional investors or analysts.

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

10. GENERAL SHAREHOLDERS INFORMATION:

The 60th Annual General Meeting of the members of the company is scheduled to be held on Thursday, the 30.09.2010 at 11.30 A.M. at BANGALORE TAMIL SANGAM, No.59, Annswamy Mudaliar Road, Bangalore-560 042.

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

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

The share transfer books would remain closed during the period from 21.09.2010 to 30.09.2010 (both days inclusive).

The Company's shares are listed at Bombay Stock Exchange Ltd., Mumbai and The National Stock Exchange of India Ltd. Your Company has remitted the Listing fees for the year 2009-2010 to the above Stock Exchanges. Scrip Code of Bombay Stock Exchange is - Scrip Code:523610.

11. STOCK MARKET PRICE DATA FOR THE YEAR 2009-2010:

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

MONTH	HIGH	LOW
APRIL 2009	29.15	16.05
MAY 2009	43.85	19.85
JUNE 2009	47.60	35.00
JULY 2009	45.15	35.10
AUGUST 2009	39.30	33.90
SEPTEMBER 2009	45.90	37.25
OCTOBER 2009	46.15	37.20
NOVEMBER 2009	51.85	36.00
DECEMBER 2009	53.20	40.70
JANUARY 2010	66.80	48.30
FEBRUARY 2010	61.45	49.10
MARCH 2010	54.15	45.20

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

M/s. Alpha Systems Private Limited,
30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore 560 003.
Phone No.080- 23460815-818
Fax: 080 23460819 E-Mail: alfint@vsnl.com

ANNEXURE TO THE DIRECTORS' REPORT (Contd....)

12. ITI CODE FOR PREVENTION OF INSIDER TRADING:

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

13. SHARE TRANSFER SYSTEM:

The requests for share transfers, transmissions, etc. are processed by Alpha Systems Private Ltd., Registrars and Share Transfer Agents at their address mentioned above. Transfer of dematerialized shares is done through the depositories with no involvement of the Company. As regards transfer, transmission of shares held in physical form, the transfer documents can be lodged with M/s Alpha Systems Private Ltd., afterwards Alpha System will send memorandum of transfer to the Company for approval. The Share Transfer Committee of the Company considers the same once in a fortnight and conveys its approval to the Registrars, who despatch the duly transferred share certificates to the shareholders concerned. The average time taken for processing share transfer requests including despatch of share certificates is 30 days, while it takes minimum of 15 days for processing dematerialisation requests by the Share Transfer Agents.

As on 31st March 2010, a total of 1,94,48,835 shares of the Company, which forms 96.18% of the disinvested portion of 7.02% (2,02,19,310) of the share capital of the company stands dematerialized. The shares held by President of India (26,74,68,190) and Governor of Karnataka (3,12,500) aggregating to 92.98% are in physical form.

14. SHAREHOLDING PATTERN (EQUITY):

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

15. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010:

Sl.No	Description	Holders	% of Holders	Holdings	% of Holdings
1.	1-500	37054	87.75	5958594	2.07
2.	501-1000	2898	6.85	2488662	0.86
3.	1001-2000	1182	2.80	1869478	0.65
4.	2001-3000	354	0.84	925323	0.32
5.	3001-4000	156	0.37	562324	0.20
6.	4001-5000	190	0.45	911223	0.32
7.	5001-10000	223	0.53	1683078	0.58
8.	10001& above	172	0.41	273601318	95.00
	Total	42229	100.00	288000000	100.00

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. INDUSTRY STRUCTURE, OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

The Indian Telecommunications Industry is one of the fastest growing in the world. Telecom industry in India is regulated by 'Telecom Regulatory Authority of India' (TRAI). According to the Telecom Regulatory Authority of India (TRAI), the number of telecom subscribers in the country reached 621.28 million as on March 31, 2010. The 'Indian Telecom Industry' services are not confined to basic telephone but it manufactures a vast range of telecom equipment using state-of-the-art technology.

With state-of-the-art manufacturing facilities spread across six locations and a countrywide network of marketing/service outlets, the Company offers complete range of telecom products and total solutions covering the whole spectrum of Switching, Transmission, Access and Subscriber Premises equipment. In tune with the technology trend, ITI has embarked on manufacture of mobile infrastructure equipment based on both GSM (Global System for Mobile) and CDMA (Code Division Multiple Access) technologies. ITI has also acquired the technology for manufacture of broadband infra equipment and next generation network equipment based on IP technology. ITI has dedicated Network Systems Unit for carrying out installation and commissioning of equipments, as well as for undertaking turnkey projects and providing value-added services.

ITI established the manufacturing facility for Gigabit Passive Optical Network (GPON) at its Rae Bareli Plant and successfully supplied equipment to the tune of Rs. 270 Crores to BSNL in the current year. ITI is the first Company in the country to get Technical Approval Certificate (TAC) for GPON product.

The Company has also implemented successfully the National Population Register Project of the Ministry of Home Affairs at its Palakkad Plant. The ITI- Huawei combine has enabled BSNL to launch 3G Services in the South Zone.

ITI has commissioned and put into service Next Generation (NGN) Switch for mobile connectivity with 500,000 capacity at Mahanagar Telephone Nigam Ltd., as a part of its two million 2G & 3G GSM project for MTNL, Mumbai.

Opportunities & Threats :

ITI's Regional office, Bangalore, in conjunction with its consortium partner Ojus Healthcare Pvt. Ltd. of Bangalore has made forays into telemedicine field for 70 sites across various states in India to provide the Oncology specialist service to the under privileged places. ITI and Ojus deployed the first phase of the project which included the OncoNET Centres at Kidwai Memorial Institute of Oncology, Bangalore and Mandya Institute of Medical Science, Mandya. The sites are manned by ITI- Ojus telemedicines centre operators who schedule and facilitate the telemedicine service and generate the patient health database for the healthcare professionals at these institutions.

Bangalore R & D has developed a Programmable Primary Multiplexer. With this development, ITI can participate in Railways tenders for Programmable Primary MUX and supply and provide maintenance and AMC without depending on other vendors. R & D, Bangalore developed Supervisory Control And Data Acquisition (SCADA) required for Indian Railways. R & D has taken up to develop SCADA for Power Sector.

ITI's Biometric Data (finger prints) collection and photography work started in Kerala.

Deployment of GPON equipment in BSNL Network by Rae Bareli Plant will be a big opportunity for Broadband Mission to rural level.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd....)

In the changing environment, the Company has identified the following threats:

- ◆ Slow reform process
- ◆ Keeping pace with technology change,
- ◆ Private Participation in the Industry,
- ◆ Large number of international players,
- ◆ Exorbitant cost for sourcing of Technology.
- ◆ Rising prices of Input.

Future Outlook:

ITI is also envisaging setting up of Special Purpose Vehicles (SPVs) or Joint Venture Companies (JVs) in Rae Bareli (WiMax & CPE), Naini (GPON & GEON) and Bangalore (IP Core Systems) as a part of Company's revival plan.

ITI has been looking for various business opportunities and as a part of this, we had set up Data Center in Bangalore Plant in association with Trimax Data Center Services Ltd. in June 2009. Depending upon the growth in Data Center, additional Data Centers will be set up in other ITI Units.

II. RISK MANAGEMENT

Telecom Sector is witnessing a rapid change both in market and technology fronts. The Company gives importance to risk management in all its business dealings. The Company has adopted a Risk Management framework, which comprises the risk organization structure, procedures and the risk management policies. It lays emphasis on identifying major risks in operations and strategic risks. The Company's business, operating results and financials are subject to various risks and uncertainties. Some of them are as Changes in Economy, Financial Risk, Interest Risk, change in market and technology etc.

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

III. HUMAN RESOURCES

As at 31st March, 2010, your Company had a total strength of 11737 as compared to 12556 at the end of the previous year.

IV. INTERNAL CONTROL MEASURES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd....)**V. FINANCIAL PERFORMANCE**

Your Company has achieved a sales turnover of Rs.4660 Crs. for the year ended 31st March, 2010, as compared to Rs.1741 Crs. in the previous year.

CAPITAL STRUCTURE :

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

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

VI. CAUTIONARY STATEMENT

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

DECLARATION

As provided under clause 49 of the Listing Agreement with Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management Personnel of the Company for the year ended 31st March, 2010.

For ITI LIMITED

Place: Bangalore
Date : 08.09.2010

K. L. DHINGRA
Chairman and Managing Director

CEO/ CFO CERTIFICATION

To the Board of Directors of ITI Ltd.

Dear Sirs,

SUB: CEO/ CFO CERTIFICATION

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

We have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' report of ITI Limited for the year ended March 31, 2010 and that to the best of our knowledge and belief, we state that:

- (a) (i) These statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading.
- (ii) These statements present a true and fair view of your Company's affairs, and are in compliance with existing accounting standards and / or applicable laws and regulations.
- (b) These are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or in violation of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) We have disclosed, wherever applicable to your Company's Auditors and the audit committee of the Company's Board of Directors
 - i) significant changes in internal controls during the year covered by this report.
 - ii) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
 - iii) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in your Company's internal control system.

Place : Bangalore
Date : 08.09.2010

B.P.Gupta
Director-Finance

K. L. Dhingra
Chairman and Managing Director

CERTIFICATE OF CORPORATE GOVERNANCE

To the Members of ITI Ltd.

We have examined the compliance of conditions of Corporate Governance by ITI Ltd., for the year ended on 31st March, 2010 as stipulated in clause 49 of the listing agreement of the said company with the stock exchanges.

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

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

- 1. As on 31st March 2010 the Company had Fourteen Directors. The Chairman of the Board is an Executive Director. The Board comprises of Seven Independent Directors. Hence the composition of the Board is in order.***
- 2. Company has not constituted remuneration committee as stipulated under the listing agreement due to fixation of remuneration by department of public enterprises.***
- 3. Based on the certificate received from the share transfer agents of the company, we have to state that no investor grievance is pending for a period exceeding one month.***

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

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

For Karra and Co
Chartered Accountants

Place : New Delhi
Date : 04.08.2010

Sd/-
R.Sivakumar
Partner
M.No.19834
Firm Reg No.: 01749s

SIGNIFICANT ACCOUNTING POLICIES

1.0 Basis of Preparation of Financial Statements.

The Financial Statements have been prepared as a going concern, under the historical cost convention, on accrual basis of accounting in accordance with the provisions of the Companies Act 1956 and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

2.00 Fixed Assets

2.01 Fixed Assets are recorded at cost net of MODVAT relief wherever availed.

2.02 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.

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

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

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

2.06 To assess fair value of a tangible fixed asset revaluation of the tangible fixed asset is done. Such fair value of tangible fixed asset is appraised by professionally qualified valuers. The difference between the carrying amount of tangible fixed asset and revalued amount pertaining to the tangible asset is credited to a revaluation reserve in the Balance sheet.

3.00 Inventories

3.01 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.

3.02 Raw materials and production stores with Ancillaries and Fabricators are valued at cost as at the time of issue to the Ancillaries and Fabricators.

3.03 Manufactured items in Stock and Stock-in-Trade are valued at cost excluding Interest Charges, Administration Overheads and Sales overheads or at the net realisable value whichever is less.

3.04 Work-in-process

(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.

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

4.00 Tools and Gauges

4.01 Expenditure on special purpose tools and fixtures is initially capitalised for a m o r t i s a t i o n o n production, based on technical assessment.

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

5.00 Intangible Assets

5.01 Expenditure on training personnel, foreign technicians fee and expenses, technical know how, documentation etc. specific to the product / projects are recognised as intangible asset.

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

5.03 Intangible assets are recorded at cost initially.

6.00 Depreciation

6.01 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

SIGNIFICANT ACCOUNTING POLICIES (Contd...)

less than the rates specified in Schedule-XIV of the Companies Act, 1956.

6.02 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.

6.03 Depreciation on intangible assets are charged to revenue based on the economic benefits drawn by the company over the useful life not exceeding ten years based on techno-commercial assessment.

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

7.00 Prior period items

Adjustments arising due to errors or omissions in the financial statements of earlier years are accounted under "Prior Period Adjustments" if the amount involved is Rs. Five Lakhs or more in each transaction.

8.00 Rate of Foreign Exchange

Current Assets / Liabilities / Long term Liabilities towards imported fixed assets, equipments and components are initially accounted at the rate of exchange ruling on the date of transaction and outstanding liabilities on the Balance Sheet date are updated at the rate of exchange ruling on the

date of Balance Sheet. The conversion difference is charged off in the Profit and Loss Account.

9.00 Recognition of Revenue

a) Sales include Excise Duty and exclude Sales Tax.

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

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

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

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

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

10.00 Warranty Liability

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

11.00 Government Grants

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

(ii) Where the grants are intended to compensate cost incurred in an accounting year an amount of

SIGNIFICANT ACCOUNTING POLICIES (Contd...)

grant to the extent of related cost are recognized as income in the Profit and Loss Account.

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

12.00 Recognition of Revenue on 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.

13.00 Employee Benefits

- i) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- ii) Post employment benefit viz. gratuity and other long-term employee benefits viz. Privilege Leave, Sick Leave and LLTC are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the profit and loss account.

iii) VRS

- (a) Where grant is received for VRS, expenditure related to VRS is fully charged to the Profit & Loss account in the year of incidence. Equivalent amount of grant is credited to Profit & Loss account.
- (b) Where no grant is received for VRS, the expenditure related to VRS incurred up to 31st March 2009 will be deferred, which will be written off in equal installments by 31st March 2010, including the year of incidence. Such expenditure incurred after 31st March 2009 will be written off in the year of incidence.

14.00 Borrowing Cost

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

15.00 Impairment of Assets

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

16.00 Deferred Tax

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

**As per our report of even date
For KARRA & CO.
Chartered Accountants**

R.SIVAKUMAR

Partner

M.No.19834

Firm Reg No.: 01749s

Place: Delhi

Date: 08.09.2010

RACHANA CHOUDHARY

Company Secretary

B.P.Gupta

Director-Finance

K. L. Dhingra

Chairman and Managing Director

BALANCE SHEET AS AT 31st MARCH, 2010

(Rs. in Crores)

	Schedule Number	As at 31 st March 2010		As at 31 st March 2009	
SOURCES OF FUNDS:					
Shareholders' Funds					
Share Capital	1.1	588.00		588.00	
Reserves and Surplus	1.2	4974.61		2546.10	
Grant-in-Aid	1.3	74.81	5637.42	80.54	3214.64
Loan Funds					
Secured Loans	2.1	258.52		1349.94	
Unsecured Loans	2.2	19.69	278.21	793.98	2143.92
			5915.63		5358.56
APPLICATION OF FUNDS:					
Fixed Assets					
Gross Block		3681.16		3678.61	
Less: Depreciation to Date		1089.35		1039.60	
Net Block	3.1	2591.81		2639.01	
Capital Work-in-Progress and Machinery in Transit	3.2	1.33	2593.14	1.78	2640.79
Investments	4.0		0.41		0.41
Current Assets, Loans and Advances					
Inventories	5.1	284.22		403.35	
Sundry Debtors	5.2	4921.27		2268.17	
Cash and Bank Balances	5.3	297.24		19.03	
		5502.73		2690.55	
Loans and Advances	5.4	333.13		331.33	
		5835.86		3021.88	
Less: Current Liabilities and Provisions					
Current Liabilities	6.1	5774.75		3290.40	
Provisions	6.2	361.48		232.82	
		6136.23		3523.22	
Net Current Assets			(300.37)		(501.34)
Miscellaneous Expenditure to the extent not written off or adjusted	7.1		0.00		0.00
Profit and Loss Account	7.1A		3622.45		3218.70
			5915.63		5358.56

Schedules 1.1 to 10 and Accounting Policies annexed, form an integral part of Balance Sheet
As per our report of even date

For **KARRA & Co.**
Chartered Accountants

R.SIVAKUMAR
Partner
M.No.19834
Firm Reg No.: 01749s

RACHANA CHOUDHARY
Company Secretary

B.P.GUPTA
Director-Finance

K. L. DHINGRA
Chairman and Managing Director

Place: Delhi
Date: 08.09.2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Crores)

	Schedule Number	For the year ended 31 st March 2010		For the year ended 31 st March 2009	
INCOME					
Sales	8.1	4494.32		1578.02	
Services		166.00		163.30	
Total Sales and Services		4660.32		1741.32	
Less : Excise Duty		64.20	4596.12	40.52	1700.80
Interest earned	8.2		13.60		0.72
Other Income	8.3		64.43		45.43
Transfers from Grant-in-Aid	8.4		316.73		130.16
TOTAL			4990.88		1877.11
EXPENDITURE					
Consumption of Raw Materials and					
Production Stores	9.1		839.85		553.50
Purchase for Direct Sales			3370.04		922.55
Charges on Installation & Maintenance of Exchanges			46.92		75.45
Salaries, Wages & Bonus	9.2		285.63		271.83
Company's contribution to Provident					
Fund and Other Funds	9.3		248.30		115.87
Workmen and Staff Welfare Expenses	9.4		23.77		13.21
Voluntary Retirement Payments	9.5		0.98		0.42
Depreciation	9.6	49.65		53.03	
Less: Transfr frm Revluatn. Reserve (Refer Note No.44)		25.34	24.31	26.31	26.72
Financing Expenses	9.7		119.24		292.02
Deferred Revenue Expenditure written off	9.8		0.00		0.00
Manufacturing Expenses	9.9		259.73		182.22
Administration Expenses	9.10		164.66		81.68
Selling Expenses	9.11		8.38		8.55
Total			5391.81 *		2544.02
Less: Transfer to Capital Account					
Accretion/(Decretion) to :	9.12	0.01		0.19	
Work-in-Process	9.13	(11.53)		(16.25)	
Manufactured Components	9.14	(17.09)		(0.35)	
Stock-in-Trade	9.15	(1.48)		37.61	
Miscellaneous Expenditure not written off	9.16	0.00	(30.09)	0.00	21.20
Cost of Sales for the year			5421.90		2522.82
Profit before Tax for the year			(431.02)		(645.71)
Prior Period adjustments (net)	9.17		(27.74)		(22.11)
Profit before Tax			(458.76)		(667.82)
Less: Provision for Taxation					
- Fringe Benefit Tax			0.00		0.36
Profit after Tax			(458.76)		(668.18)

* Includes expenditure on Research & Development Rs.24.39 Crores (Previous year Rs.28.12 Crores) under various heads

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010 (Contd...)
(Rs. in Crores)

	Schedule Number	For the year ended 31 st March 2010	For the year ended 31 st March 2009
APPROPRIATIONS			
Transfer to Bonds Redemption Reserve		0.00	0.00
Proposed Dividend		0.00	0.00
Corporate Dividend Tax		0.00	0.00
Profit/(Loss) available after appropriation		(458.76)	(668.18)
Transfer from Investment Allowance Reserve		0.00	0.00
Net Balance carried to Balance Sheet		<u>(458.76)</u>	<u>(668.18)</u>
Basic and Diluted Earning Per Share (in Rs.)		<u>(16.85)</u>	<u>(24.12)</u>

Schedules 1.1 to 10 and Accounting policies annexed, form an integral part of Profit & Loss Account
As per our report of even date

For **KARRA & Co.**
Chartered Accountants

R.SIVAKUMAR
Partner
M.No.19834
Firm Reg No.: 01749s

RACHANA CHOUDHARY
Company Secretary

B.P.GUPTA
Director-Finance

K. L. DHINGRA
Chairman and Managing Director

Place: Delhi
Date: 08.09.2010

SCHEDULES TO THE BALANCE SHEET

(Rs. in Crores)

	As at 31 st March 2010	As at 31 st March 2009
SCHEDULE 1.1		
SHARE CAPITAL		
Authorised		
30,00,00,000 equity shares of Rs.10 each	300.00	300.00
4,00,00,000 Preference Shares of Rs. 100 each	400.00	400.00
	<u>700.00</u>	<u>700.00</u>
Issued, Subscribed and Paid-up *		
28,80,00,000 equity shares of Rs.10 each (of which 9,00,640 shares allotted for consideration other than cash)	288.00	288.00
1,00,00,000 8.75% Cumulative Redeemable Preference Shares of Rs. 100 each, redeemable at par in 5 equal instalments from March 2005	100.00	100.00
2,00,00,000 7.00% Cumulative Redeemable Preference Shares of Rs. 100 each, redeemable at par in 5 equal instalments from March 2006, with call option to BSNL after expiry of one year from the date of investment 31.3.2003.	200.00	200.00
* Government of India has disinvested 7% of the Equity shares to Financial Institutions,Banks,Mutual Funds and Employees.	<u>588.00</u>	<u>588.00</u>
SCHEDULE 1.2		
RESERVES AND SURPLUS		
Capital Reserves		
Free Land gifted	0.25	0.25
Free Equipment gifted-Opening Balance as per last Balance Sheet	9.06	9.37
Less:- Transfer to P&L Account	<u>0.94</u>	<u>0.31</u>
Closing Balance	8.12	9.06
Transfer from Grant-in-aid (Capital)	2509.00	0.00
Share Premium	0.30	0.30
Revaluation Reserves-Land	2276.37	2276.37
Less: Reversal on sale of land	<u>0.26</u>	<u>0.00</u>
Revaluation Reserves-Buildings		
Opening Balance as per last Balance sheet	196.35	222.35
Less:- Transfer to P&L Account	<u>24.40</u>	<u>26.00</u>
Closing Balance	171.95	196.35
General Reserve		
As per last Balance Sheet	0.00	0.00
Add: Transfer from Bonds Redemption Reserve	55.01	0.00
Add: Transfer from Other Income	<u>0.00</u>	<u>0.00</u>
	55.01	0.00
Less: Transfer to Profit & Loss a/c (Debit Balance)	<u>55.01</u>	<u>0.00</u>
	0.00	0.00
Profit on Sale of Fixed Assets		
As per last Balance Sheet	1.67	1.67
Sale of Technical know-how	0.04	0.03
Industrial Housing Subsidy	0.07	0.07
Bonds Redemption Reserve		
As per last Balance Sheet	62.00	62.00
Less: Transfer to General Reserve	<u>54.90</u>	<u>0.00</u>
	7.10	62.00
TOTAL RESERVES AND SURPLUS	<u>4974.61</u>	<u>2546.10</u>

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at 31 st March 2010	As at 31 st March 2009
SCHEDULE 1.3		
GRANT-IN-AID		
Grant-in-aid (Capital) :		
As per last Balance Sheet	31.36	36.11
Add:Receipts during the year	<u>2509.00</u>	<u>0.00</u>
	2540.36	36.11
Less:Transfer to Capital Reserves	2509.00	0.00
Less:Transfer to Profit & Loss Account	<u>4.75</u>	<u>4.75</u>
Net Total	26.61	31.36
Grant-in-aid (Revenue)		
As per last Balance Sheet	49.18	49.59
Add : Receipts during the year	<u>311.00</u>	<u>125.00</u>
	360.18	174.59
Less:Transfer to Profit & Loss Account	<u>311.98</u>	<u>125.41</u>
	48.20	49.18
Total Grant-in-Aid	<u>74.81</u>	<u>80.54</u>
SCHEDULE 2.1		
SECURED LOANS		
Cash credit from State Bank of India and other members of the consortium of banks against hypothecation of stocks, stores & raw materials, debts & advances & second charge on all Fixed Assets both movable & immovable except Fixed Assets at Raebareli and third charge on fixed assets both movable & immovable at Raebareli		
Limit Rs.845 Crores (Previous Year Rs. 845 Crores)	251.24	893.99
GOVERNMENT GUARANTEED REDEEMABLE BONDS		
GSEC+60BPS Government Guaranteed Redeemable Bonds 'M 1' series of Rs 10,00,000/- each issued in July 2004 redeemable at par in July 2009 with call option after 1 year from the date of allotment.		
	0.00	55.50
GSEC+75BPS Government Guaranteed Redeemable Bonds 'M2 ' series of Rs 10,00,000/- each issued in Aug 2004 redeembale at par in Aug 2009 with call option after 1 year from the date of allotment.		
	0.00	62.50
Interest Accrued and due on Bonds	0.18	10.36
SECURED LOANS - GOVT. GUARANTEE EXPIRED		
'I' SERIES OF RS.5,00,000/- EACH:-		
-G SEC + 55 BPS ISSUED IN MARCH'2003 REDEEMABLE AT PAR IN MARCH 2008	5.00	10.00
-G SEC + 60 BPS ISSUED IN MAY'2003 REDEEMABLE AT PAR IN MAY'2008	0.00	25.00
'I' SERIES OF RS.10,00,000/- EACH:-		
6.40% ISSUED IN MARCH'2004 REDEEMABLE AT PAR IN MARCH 2009 (with put/call option after 3 years from the date of allotment.)	2.10	8.80

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at 31st March 2010	As at 31st March 2009
6.40% Government Guaranteed Redeemable Bonds 'J ' series of Rs.5,00,000/- each issued in January 2003 redeemable at par in January 2008 with put/call option after 3 years from the date of allotment.	0.00	125.00
7.25% Government Guaranteed Redeemable Bonds 'J 1' series of Rs 5,00,000/- each issued in March 2006 redeemable at par in January 2008 .	0.00	22.00
6.50% Government Guaranteed Redeemable Bonds 'L ' series of Rs 10,00,000/- each issued in March'2004 redeembale at par in March'2009.	0.00	94.00
Interest Accrued and due on Bonds	0.00	42.79
Secured by first charge on all fixed assets of the company both movable and immovable present and future and ranking pari pasu in favour of bondholders. Charges are created in favour of Canara Bank as agents and trustees of Bond holders.		
	258.52	1349.94
SCHEDULE 2.2		
UNSECURED LOANS		
Loan From		
Government of India (Interest free, repayable in full after 5 years)	0.00	100.00
Term Loans from Banks	0.00	237.57
Floating Rate Bonds (From Banks Rs. 310.00 Crs; Others Rs. 80.00 Crs)	0.00	390.00
Interest Accrued and due	19.69	58.16
OTHERS LOAN Ku Band	0.00	8.25
	19.69	793.98

SCHEDULES TO THE BALANCE SHEET (Contd...)

SCHEDULE - 3.1
FIXED ASSETS

PARTICULARS	GROSS BLOCK AT COST					
	AS ON 31.03.2009	ADDITIONS DURING THE YEAR	ASSET RE- VALUED	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST MENTS	AS ON 31.03.2010
	1	2	3	4	5	6=1+2+3-4-5
A. FIXED ASSETS						
LAND						
-FREE HOLD	2286.38	0.00	0.00	0.27	0.00	2286.10 *
-LEASE HOLD	1.43	0.00	0.00	0.00	0.00	1.43 ****
LAND DEVELOPMENT EXPENSES	0.21	0.00	0.00	0.00	0.00	0.21
BUILDING	529.06	0.16	0.00	0.00	0.00	529.22 **
PLANT, MACHINERY & EQUIPMENTS	779.84	1.80	0.00	0.05	0.00	781.59 ***
OFFICE M/C & EQPT	24.40	0.19	0.00	0.01	0.00	24.58
FURNITURE FIXTURE & FITTINGS	19.65	0.04	0.00	0.00	0.00	19.70
VEHICLES	9.09	0.00	0.00	0.00	0.00	9.10
ASSETS GIVEN ON LEASE	0.08	0.00	0.00	0.00	0.00	0.08
B. INTANGIBLE ASSETS						
INTERNALLY GENERATED						
TECHNICAL KNOWHOW	0.00	0.00	0.00	0.00	0.00	0.00
PROJECT DEV. EXP	13.47	0.00	0.00	0.00	0.00	13.47
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00
EXTERNALLY GENERATED						
TECHNICAL KNOWHOW	15.00	0.68	0.00	0.00	0.00	15.68
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	3678.61	2.87	0.00	0.32	0.00	3681.16
PREVIOUS YEAR	3657.09	22.49	0.00	0.97	0.00	3678.61

- * i) Includes Rs 0.25 Crores value of land (Before revaluation) gifted by UP Govt. credited to Capital Reserve.
- ii) a) Land measuring 4653.75 sq.metres has been leased to Department of Telecommunications for a period of 99 years commencing from 3.10.1983.
- b) Formal Conveyance/lease deeds in respect of Land (excepting part of lands at Bangalore & Mankapur) are yet to be executed by the respective State Governments.
- c) Land measuring 1256.86 Sq. metres has been leased to Dept. of Telecommunications for a period of 99 years commencing from 10.07.1991.
- d) Registered valuers have revalued Land of the company on 31.3.2006. Land with original cost of Rs 10.00 Crores and written down value of Rs.10.00 crores have been revalued at Rs. 2286.37 crores, resulting in an increase in value by Rs. 2276.37 crores.
- 'iii) a) KPTCL is in possession of 5 acres of land and not revalued.
- b) 12.15 acres of land sold to BMTC not revalued. Out of which 8.22 acres already in possession of BMTC for which Govt. approval is awaited.
- c) National Highway has acquired 1.375 acres of land for road widening but the compensation is yet to be finalised.
- d) 1.83 acres of land is leased to Southern Railways and 0.286 acres of land is leased to ESI corporation.

Rs. in Crores

DEPRECIATION					NET BLOCK	
UPTO 31.03.2009	FOR THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST MENTS	AS ON 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009
7	8	9	10	11=7+8-9-10	12=6-11	13
0.00	0.00	0.00	0.00	0.00	2286.10	2286.38
0.22	0.00	0.00	0.00	0.23	1.20	1.20
0.21	0.00	0.00	0.00	0.21	0.00	0.00
297.24	27.35	0.00	0.00	324.59	204.63	231.81
672.63	19.71	0.05	0.00	692.29	89.31	107.22
23.07	0.37	0.00	0.00	23.44	1.14	1.33
17.90	0.43	0.00	0.00	18.33	1.37	1.75
8.77	0.11	0.00	0.00	8.88	0.22	0.32
0.08	0.00	0.00	0.00	0.08	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
13.47	0.00	0.00	0.00	13.47	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.00	1.57	0.00	(0.27)	7.84	7.84	9.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
1039.60	49.53	0.05	(0.27)	1089.35	2591.81	2639.01
987.32	52.97	0.89	(0.20)	1039.60	2639.01	2669.77

** Registered valuers have revalued Buildings of the company on 31.3.2006. Buildings with original cost of Rs 152.77 Crores and written down value of Rs. 46.31 Crores have been revalued at Rs. 423.88 Crores, resulting in an increase in value by Rs. 377.57 Crores.

- *** i) Includes Rs. 0.85 Crores of plant & machinery given free of cost by UNIDO.
- ii) Includes Rs. 0.60 Crores of plant & machinery cost of which is borne by Ministry of Information Technology.
- iii) Includes cost of fixed assets worth Rs. 50.00 Crores procured out of Grant received from Government of India during 2004-05

iv) includes Rs.9.37 Crores of plant, machinery and Equipments received free of cost by Rae Bareli unit.

**** Includes Rs.0.27 Crores payment made to J&K Govt for which lease deed proceedings are in process

Notes : (i) There is a charge of Rs. 0.07 Crores on 400 D and 624 E type quarters in favour of Govt. of Karnataka towards subsidy received in terms of Subsidised Industrial Housing Scheme.

(ii) Factory building is on the leased land, for which extension for lease is under process with J&K Government.

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at 31 st March 2010		As at 31 st March 2009	
SCHEDULE 3.2				
CAPITAL WORK-IN-PROGRESS				
Capital Work-in-Progress at Cost	1.75		1.70	
Less: Provision	<u>1.14</u>	0.61	<u>1.14</u>	0.56
Materials with Contractors	0.29		0.29	
Less: Provision	<u>0.29</u>	0.00	<u>0.29</u>	0.00
Machinery at Cost				
In-Transit	0.07		0.10	
Awaiting Acceptance / Installation	0.65		1.12	
Total	<u>0.72</u>		<u>1.22</u>	
Less:Provision	<u>0.07</u>		<u>0.07</u>	
		0.65		1.15
Advances for Civil Works / Capital Goods	0.37		0.38	
Less: Provision	<u>0.30</u>		<u>0.31</u>	
		0.07		0.07
		<u>1.33</u>		<u>1.78</u>
SCHEDULE 4				
INVESTMENTS				
Fully Paid at Cost(Unquoted)				
1621800 Equity Shares of Rs.10/- each fully paid up in India Satcom Limited including 1216350 Bonus Shares		0.41		0.41
		<u>0.41</u>		<u>0.41</u>

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at		As at	
	31 st March 2010		31 st March 2009	
SCHEDULE 5.1				
INVENTORIES				
(Valued as per Accounting Policy No.3.00)				
Stocks & Stores as taken and certified by Management				
Raw material and Production Stores	98.73		156.36	
Less: Provision for Obsolescence	<u>17.91</u>	80.82	<u>20.34</u>	136.02
Material issued against Fabrication Contracts	1.01		1.00	
Less: Provision	<u>0.95</u>	0.06	<u>0.95</u>	0.05
Materials issued on Loan Basis		0.00		0.00
Non-Production Stores	9.72		12.53	
Less: Provision for Obsolescence	<u>2.71</u>	7.01	<u>4.69</u>	7.84
Work-in-Process Production	51.44		63.07	
Less: Provision	<u>7.58</u>	43.86	<u>7.58</u>	55.49
Work-in-Process Installation	0.00		0.00	
Less: Provision	<u>0.00</u>	0.00	<u>0.00</u>	0.00
Manufactured Components	18.49		38.09	
Less: Provision	<u>0.34</u>	18.15	<u>1.13</u>	36.96
Stock-in-Trade	87.23		102.91	
(includes Rs.40.07 Crores, items despatched to customers awaiting billing *Previous year Rs 0.08 Crores)				
Excise Duty thereon	5.50		2.72	
	<u>92.73</u>		<u>105.64</u>	
Less: Provision	<u>14.05</u>	78.68	<u>21.88</u>	83.76
Stock Reconciliation Account	0.07		(0.07)	
Less: Provision	<u>0.07</u>	0.00	<u>(0.07)</u>	0.00
Goods Pending Inspection / Acceptance		36.05		15.10
Material-in-Transit Advances				
Considered Good	19.32		68.08	
Considered Doubtful	<u>0.82</u>		<u>0.82</u>	
	20.14		68.90	
Less: Provision	<u>0.82</u>	19.32	<u>0.82</u>	68.08
Material received and In-Transit Advances payable as per contra in Schedule 6.1		0.22		0.02
Tools and Gauges		0.05		0.03
		<u>284.22</u>		<u>403.35</u>

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at		As at	
	31 st March 2010		31 st March 2009	
SCHEDULE 5.2				
SUNDRY DEBTORS				
Unsecured				
Outstanding over six months				
Considered Good	3083.36		1213.46	
Considered Doubtful	59.04		9.63	
	<u>3142.40</u>		<u>1223.09</u>	
Other Debts Considered Good	1837.91		1054.71	
	<u>4980.31</u>		<u>2277.80</u>	
Less: Provision	59.04		9.63	
	<u>4921.27</u>		<u>2268.17</u>	
SCHEDULE 5.3				
CASH AND BANK BALANCES				
Cash-in-Transit	0.04		0.01	
Cash, Cheques & Stamps on Hand	1.33		1.27	
Balance with Scheduled Banks				
On Current Account	119.67		4.23	
On Current Account (Apprentices Security Deposits)	0.03		0.02	
On Savings Account (Apprentices Security Deposits)	1.33		0.08	
On Short Term deposit (Margin Money)	21.44		7.74	
On Current Account (Margin Money)	0.31		0.00	
On Fixed Deposit Account	153.09		5.68	
	<u>297.24</u>		<u>19.03</u>	
SCHEDULE 5.4				
LOANS AND ADVANCES				
Unsecured Advances recoverable in cash or in kind or for value to be received				
Considered Good	88.29		98.46	
Considered Doubtful	12.90		3.10	
	<u>101.19</u>		<u>101.56</u>	
Less: Provision	12.90	88.29	3.10	98.46
Claims and Expenses Recoverable - Inland				
Considered Good	163.18		143.68	
Considered Doubtful	2.88		3.14	
	<u>166.06</u>		<u>146.82</u>	
Less: Provision	2.88	163.18	3.14	143.68
Claims and expenses recoverable - Foreign				
Considered good	14.25		18.48	
Considered doubtful	11.81		4.47	
	<u>26.06</u>		<u>22.95</u>	
Less: Provision	11.81	14.25	4.47	18.48
Payment of Advance tax (Net of refunds)	0.37			0.30
Interest accrued but not due On Short Term Deposits	4.72			0.12
Secured advances				
Vehicles	0.00			0.00
House building	0.03			0.04
Deposits with Customs Department	0.31			0.13
Deposits with Excise Authorities	43.43			43.00
Other Deposits (includes Rs.0.02 Crores of National Saving Certificates, Rs. Nil crores of Savings Bank account with Treasury and Post Office. Previous year Rs. 0.02 Crores and Rs. Nil Crores)	21.11		29.68	
Less: Provision	2.56	18.55	2.56	27.12
	<u>333.13</u>		<u>331.33</u>	

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at		As at	
	31 st March 2010		31 st March 2009	
SCHEDULE 6.1				
CURRENT LIABILITIES				
Sundry Creditors:				
For goods supplied				
- Micro, Small and Medium Enterprises	0.09		0.13	
- Others	<u>3429.28</u>	<u>3429.37</u>	<u>1513.18</u>	1513.31
For Expenses and Services		304.56		158.75
For Other Liabilities (including Excise		524.26		399.96
Duty on Stock-in-trade Rs.1.86 Crs, P. Y Rs.3.58 Crs.)				
For goods received and in transit advance as		0.22		0.02
per contra in Schedule 5.1				
Advances from Customers		1488.10		1180.28
Unclaimed Dividend		0.14		0.14
Interest accrued but not due on Loans		0.02		8.79
Apprentices Security Deposit		0.08		0.07
Bihar Relief Fund		0.00		0.09
Deposits from Contractors		<u>28.00</u>		<u>28.99</u>
		<u>5774.75</u>		<u>3290.40</u>
SCHEDULE 6.2				
PROVISIONS				
For Taxation				
As per last Balance Sheet	0.54		0.64	
Add: Provisions during the year	<u>0.00</u>		<u>0.02</u>	
	0.54		0.66	
Less: Adjustments of provisions relating to earlier years	<u>0.00</u>		<u>0.13</u>	
		0.54		0.54
For Gratuity				
As per Last Balance Sheet	107.67		70.69	
Add: Provision for the year	<u>156.80</u>		<u>37.60</u>	
	264.47		108.29	
Less: Transfer to Gratuity Trust	<u>78.00</u>		<u>0.00</u>	
	186.47		108.29	
Add: Transfer from gratuity trust	<u>22.69</u>		<u>14.18</u>	
	209.16		122.47	
Less: Payments	<u>23.42</u>	185.74	<u>14.80</u>	107.67
For Privilege Leave				
As per Last Balance Sheet	120.56		79.78	
Add: Provision for the year	<u>58.63</u>		<u>46.68</u>	
	179.19		126.46	
Less: Payments	<u>17.07</u>	162.12	<u>5.90</u>	120.56
For Sick Leave				
As per Last Balance Sheet	3.57		2.36	
Add: Provision for the year	<u>1.40</u>		<u>1.21</u>	
	4.97		3.57	
Less: Payments	<u>0.00</u>	4.97	<u>0.00</u>	3.57
For Leave Travel Concession				
As per Last Balance Sheet	0.49		0.40	
Add: Provision for the year	<u>9.20</u>		<u>0.24</u>	
	9.69		0.64	
Less: Payments	<u>1.58</u>	8.11	<u>0.15</u>	0.49
		<u>361.48</u>		<u>232.82</u>

SCHEDULES TO THE BALANCE SHEET (Contd...)

(Rs. in Crores)

	As at 31 st March 2010	As at 31 st March 2009
SCHEDULE 7.1		
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED		
Technical know-how on CSN MM	0.00	0.00
R & D Project Expenditure	0.00	0.00
Training and Manpower Charges		
- CSN MM	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>
SCHEDULE 7.1 A		
PROFIT & LOSS ACCOUNT (DR)		
As per last Balance sheet	3218.70	2550.52
Less: Transfer from General Resereves	(55.01)	0.00
Add: Loss for the Year	<u>458.76</u>	<u>668.18</u>
	<u>3622.45</u>	<u>3218.70</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in Crores)

	For the year ended 31 st March 2010	For the year ended 31 st March 2009
SCHEDULE 8.1		
SALES		
Sales (Incl. of Excise Duty & Net of Sales Tax)	4494.32	1578.02
SCHEDULE 8.2		
INTEREST EARNED		
Interest - Others (Includes Rs.NIL Crores towards interest on non trading investments.Previous year Rs.NIL crores)	13.60	0.72
	<u>13.60</u>	<u>0.72</u>
SCHEDULE 8.3		
OTHER INCOME		
Profit on sale of assets	0.16	0.04
Profit on sale of investment	0.00	0.00
Rent	19.94	18.39
Transport Charges	0.24	0.27
Sale of Scrap	0.90	1.11
Water / Electricity Charges	1.20	0.92
Excess Provision Withdrawn	5.84	2.27
Withdrawal of liability no longer required	2.04	3.42
Compensation of Srinagar Unit loss	7.11	7.00
Waiver of Liquidated Damages by BSNL	0.00	1.89
Waiver of Interest Charges	0.00	0.00
LD recovered from suppliers	19.22	9.40
Discount received	0.00	0.01
Miscellaneous Income	7.78	0.71
	<u>64.43</u>	<u>45.43</u>
SCHEDULE 8.4		
TRANSFER FROM GRANT-IN-AID		
Revenue Grant-in-Aid received from Govt. of India:		
- For VRS	0.98	0.41
- For Salary	0.00	125.00
- For Others	311.00	0.00
Capital Grant-in-Aid	4.75	4.75
	<u>316.73</u>	<u>130.16</u>
SCHEDULE 9.1		
CONSUMPTION OF RAW MATERIAL AND PRODUCTION STORES		
Opening Stock	157.36	174.75
Purchases	791.28	547.79
	(A) <u>948.64</u>	<u>722.54</u>
Closing Stock	99.74	157.36
Issues to revenue and others	6.17	12.01
	(B) <u>105.91</u>	<u>169.37</u>
Consumption (A) - (B)	<u>842.73</u>	<u>553.17</u>
Add: Stores indirect expenses relating to Raw material and production stores	(2.88)	0.33
CONSUMPTION	<u>839.85</u>	<u>553.50</u>
SCHEDULE 9.2		
SALARIES, WAGES AND BONUS		
Salaries, Wages and Bonus	285.63	271.83
	<u>285.63</u>	<u>271.83</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd...)

(Rs. in Crores)

	For the year ended 31 st March 2010	For the year ended 31 st March 2009
SCHEDULE 9.3		
COMPANY'S CONTRIBUTION TO PROVIDENT FUND AND OTHER FUNDS		
Provident Fund and Pension Fund	31.35	29.57
Employees State Insurance	0.01	0.64
Gratuity Trust Fund	156.80	37.60
Privilege Leave	58.63	46.68
Deposit linked Insurance / Group Insurance	0.11	0.17
Sick Leave	1.40	1.21
	<u>248.30</u>	<u>115.87</u>
SCHEDULE 9.4		
WORKMEN & STAFF WELFARE EXPENSES		
Canteen	2.74	2.14
Education	2.17	2.19
Medical Expenses	8.75	7.89
LTC / LLTC	9.20	0.24
Uniforms	0.03	0.01
Others	0.88	0.74
	<u>23.77</u>	<u>13.21</u>
SCHEDULE 9.5		
VOLUNTARY RETIREMENT SCHEME		
VRS payments	<u>0.98</u>	<u>0.42</u>
SCHEDULE 9.6		
DEPRECIATION		
Fixed Assets	49.53	52.94
Tools and Gauges	0.12	0.09
	<u>49.65</u>	<u>53.03</u>
SCHEDULE 9.7		
FINANCING EXPENSES		
INTEREST		
Cash credit	38.11	130.34
Bonds	0.00	31.06
Term Loans	0.00	79.92
Others	71.45	38.79
	<u>109.56</u>	<u>280.11</u>
Bank charges	9.68	9.63
Govt. guarantee fee	0.00	2.28
Expenses on issue of Bonds/ Loans	0.00	0.00
	<u>119.24</u>	<u>292.02</u>
SCHEDULE 9.8		
DEFERRED REVENUE EXPENDITURE WRITTEN OFF		
R & D expenditure	0.00	0.00
Technical knowhow	0.00	0.00
	<u>0.00</u>	<u>0.00</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd...)

(Rs. in Crores)

	For the year ended 31 st March 2010		For the year ended 31 st March 2009	
SCHEDULE 9.9				
MANUFACTURING EXPESES				
Consumption of Stores & Spares		4.34		5.20
Power & Light		20.57		22.76
Water charges		2.33		3.03
Repairs & Maintenance				
-Plant , Machinery & equipments	2.07		1.62	
-Vehicles	0.72		0.77	
-buildings	4.64		4.61	
-other equipments	2.21	9.64	2.46	9.46
Cost & Exp. On Tools		0.28		0.33
Experimental. Work & Training. Exp.		0.07		0.22
Exps. On Minor Equpts. & Work		0.03		0.00
Royalty		0.20		24.06
Scrap & Salvage		0.24		0.11
Factory Expenses		1.61		1.23
Liquidated Damages		279.77		18.30
Penalty for short closure of Purchase order	0.00		0.00	
Less: Recovery from supplier	0.00	0.00	0.00	0.00
Demurrage charges		1.04		1.32
Exchange Variation		(60.39)		96.20
		<u>259.73</u>		<u>182.22</u>
SCHEDULE 9.10				
ADMINISTRATION EXPENSES				
Rent		3.32		3.16
Rates & Taxes		0.99		0.78
Insurance		1.42		0.79
Travelling Expenses				
- Inland	8.20		10.10	
- Foreign	0.01	8.21	0.01	10.11
Legal Fee		0.48		0.38
Postage, Telegram & Telex expenses		0.69		0.81
Telephone & Trunk Call charges		1.57		1.85
Remuneration to Auditors				
- Audit Fees	0.03		0.03	
- Out of Pocket Expenses	0.00		0.00	
- Other Capacities	0.02	0.05	0.01	0.04
Security expenses		4.23		3.68
Printing, Stationery & Duplicating expenses		0.89		0.95
Transport		6.70		6.83
Newspapers, Magazines and Periodicals		0.35		0.35
Mechanised Accounting Exps		0.38		0.40
Licence Fee/ Segment charges		0.24		0.71
Office expenses		3.96		3.75
Provision. For obsolescence of RM Stores		5.10		18.04
Obsolete RM & Prodn. Stores Write off		18.97		0.65
Capital WIP Write off		0.01		0.00
Provision For Drs/Adv		73.75		2.83
Bad Debts Write off		31.68		23.53
Claims and Expenses charge off		0.06		0.86
Loss on Sale of Assets		0.00		0.04
Irrecoverable ED		1.61		1.14
		<u>164.66</u>		<u>81.68</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd...)

(Rs. in Crores)

	For the year ended 31 st March 2010		For the year ended 31 st March 2009	
SCHEDULE 9.11				
SELLING EXPENSES				
Selling Agency Commission		0.07		0.08
Advertisement Exps.		0.25		0.14
Exhibition & Publicity Exps.		0.12		0.27
Packing Expenses		2.74		3.68
Forwarding Expenses		2.74		2.79
Warranty Expenses		2.40		1.49
Sales Promotion Expenses		0.01		0.01
Entertainment Expenses		0.00		(0.01)
Cost of Tender forms		0.05		0.10
		<u>8.38</u>		<u>8.55</u>
SCHEDULE 9.12				
TRANSFER TO CAPITAL ACCOUNT				
CAPITAL WIP:				
Transfer to Cap. Account - Intangible Assets		0.00		0.00
Transfer to Cap. Account - Others Assets		0.01		0.19
		<u>0.01</u>		<u>0.19</u>
SCHEDULE 9.13				
ACCRETION /(DECRETION) TO WORK IN PROCESS				
<u>Work-in-Process--Production</u>				
Closing Balance		51.44		63.07
Opening Balance		63.07	(11.63)	79.32
ADD: WRITE OFF DURING THE YEAR			0.10	0.00
<u>Work-in-Process--Installation</u>				
Closing Balance		0.00		0.00
Opening Balance		0.00	0.00	0.00
			(11.53)	(16.25)
SCHEDULE 9.14				
ACCRETION /(DECRETION) TO MANUFACTURED COMPONENTS				
Manufactured Components				
Closing balance		18.49		38.09
Opening balance		38.09	(19.60)	38.44
ADD: WRITE OFF DURING THE YEAR			2.51	0.00
			(17.09)	(0.35)
SCHEDULE 9.15				
ACCRETION /(DECRETION) TO STOCK-IN-TRADE				
Stock-in Trade				
Closing balance		87.23		102.91
Opening balance		102.91	(15.68)	65.81
			(15.68)	37.10
ADD: WRITE OFF DURING THE YEAR			14.20	0.51
LESS: PRIOR PERIOD ADJUSTMENT DUE TO PRICE REVISION / GROSSING UP OF PROVISIONS		0.00		0.00
		<u>(1.48)</u>		<u>37.61</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd...)

(Rs. in Crores)

	For the year ended 31 st March 2010	For the year ended 31 st March 2009
SCHEDULE 9.16		
MISCELLANEOUS EXPENDITURE NOT WRITTEN OFF DURING THE YEAR		
Voluntary Retirement Scheme	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
SCHEDULE 9.17		
PRIOR PERIOD ADJUSTMENTS (NET)		
INCOME		
Sales & Services	(2.41)	(4.84)
Withdrawal of liability no longer required	0.00	0.00
Interest	(0.59)	0.08
Others	0.00	0.00
	<u>(3.00)</u>	<u>(4.76)</u>
EXPENDITURE		
Consumption of raw material and production stores	22.66	4.77
Liquidated Damages	1.89	0.00
Company contribution to PF & Others	0.00	0.00
Legal Fees	0.00	0.00
Interest	0.00	1.02
Depreciation	0.00	0.00
Others	0.19	11.56
	<u>24.74</u>	<u>17.35</u>
Net prior period Adjustments	<u>(27.74)</u>	<u>(22.11)</u>

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
SCHEDULE 10			
NOTES ON ACCOUNTS			
1	Sales accounted on provisional basis/prices for supply of Switching, Transmission, Terminal and Access Products. Variation, if any, will be accounted on the determination of final prices. Impact on profit not ascertainable.	12.41	258.63
2	Compensation to employees of the company opted for Voluntary Retirement during 2009-10 have been fully charged off to the Profit & Loss account, consequent upon the receipt of Grant from Government.	0.98	0.42
3	Insurance and Customs duty claims are accounted as and when the claims are accepted by the respective authorities.	0.01	0.00
4	Dividend in respect of following class of Cumulative Redeemable Preference Shares are in arrears as details below :- a) On 8.75% Cumulative Preference Shares from 2002-03 b) On 7.00% Cumulative Preference Shares from 2003-04 (The figures indicated are excluding Dividend Distribution Tax)	70.00 98.00	61.25 84.00
5	Execution and registration of sale deed for assets sold to DRDO for Rs. 26 Crores during 2003-2004 is under process consequent to the receipt of Ministry approval.		
6	As per the Presidential directives and Tripartite agreement on wage settlement with employees, wage revision arrears for the period from 01.01.1997 to 31.3.2000 is to be paid by the Company in a phased manner on the improvement of profitability position and also generation and availability of funds. Since the company has already been declared by BIFR as a sick company and the condition for payment of wage revision arrears as per directives/agreement aforesaid are not prevalent, company has not provided any liability for payment of arrears of wage revision for this period amounting to Rs. 165 Crs.		
7	Where firm rates for sales are not established accounting for refund/adjustment of Excise Duty/Sales Tax is on provisional basis.	0.00	0.00
8	Interest on Royalty payable to C-DOT has not been provided in view of substantial dues outstanding for a long time from C-DOT on account of Rent payable on our premises leased out to them.		
9	Negative balances included under inventories pending reconciliation	0.00	0.48
10	Deposits, fallen due and not claimed for refunds, is shown as current liabilities as at 31.03.2010	0.24	0.24

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd...)****11 Details of Provisions**

Particulars	Taxation	Gra tuity	Privilege Leave Salary	Sick Leave	LTC/LLT C	Debtors	Capital WIP	Inven tory	Loans & Advances	Claims	Warranty
Opening Balance as at 1.4.2009	0.54	107.68	120.56	3.57	0.49	9.63	1.80	57.39	5.66	7.61	12.16
Add : Provisions During the Year	0.00	156.79	58.63	1.40	9.20	54.88	0.00	5.10	10.10	8.78	2.40
Less : Write Off against provisions	0.00	0.00	0.00	0.00	0.00	5.47	0.01	12.58	0.26	1.70	0.00
Less : Withdrawal/utilisation of Prov.	0.00	78.72	17.07	0.00	1.58	0.00	0.00	5.55	0.04	0.00	5.99
Closing Balance as at 31.3.2010	0.54	185.75	162.12	4.97	8.11	59.04	1.79	44.36	15.46	14.69	8.57

12 Redemption installments in respect of the following

Cumulative Redeemable Preference shares issued by the company have not been paid on due dates on account of fund constraints

a	Redemption installments due on 31st March 2005 to 31st March 2010 in respect of 8.75 % Preference Shares of Rs.100 crores	100.00	100.00
b	Redemption installments due on 31 st March 2006 to 31st March 2010 in respect of 7% Preference Shares of Rs. 200 crores.	200.00	160.00

13 Loans and Advances includes an outstanding amount of Rs.3.55 Crs pending adjustment against pay revision arrears.**14 A list of micro, small and medium enterprises to whom the Company owe any sum together with interest outstanding for more than 30 days to the extent identified.**

- i. ABILTY ENTERPRISES
- ii. VAIBHAV PLASTIC
- iii. VEE KAY INDUSTRIES

15 Balances in the accounts of creditors, debtors, advances from customers, some bank accounts, Claims recoverable, loans and advances, materials with fabricators , sub-contractors/ others,material in transit, deposits, Loans, Creditors, Sales Tax,VAT, Excise Duty,Cenvat, Service Tax are under confirmation/reconciliation.**16 Claims and expenses recoverable - inland- schedule 5.04 includes Rs.17.60 Crores recoverable from M/s HCL Infosystem Ltd. as compensation on account of excess amount spent by ITI Ltd. MANKAPUR . The above is on the basis of agreement entered into between ITI, HCL and Alcatel.**

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd...)**

- 17 In respect of orders received by Company for GSM 2 Million and 3 Million in the minutes of meeting held with Ministry it has been indicated that BSNL will favourably consider waiver of interest on the Advances paid to ITI for the above two projects.
- 18 Inventory of Pallakad unit includes an amount of Rs. 2.04 lakhs pending in Stock Correction Suspense Account which represent materials sent to suppliers for rectification/ replacement.
- 19 Debtors and Security Deposit of NSU includes Rs.83.64 Lakhs and Rs.4 Lakhs respectively due from Central Railway. Arbitration proceedings are under progress for the settlement.
- 20 During the year an amount of Rs. 2820 Crores was received by the Company from Ministry of Communication & IT for discharging liabilities of the company. As per directions the Company has discharged all liabilities except to the extent of Rs. 7.50 Crores. As per Company's Accounting Policy a sum of Rs.311 Crores has been taken to P&L A/c through Revenue Grant and balance to Capital Reserve.
- 21 With reference to Accounting Policy No. 6, Depreciation has been charged on Fixed Assets over their assessed useful life as under:

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%	
(viii) 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.	

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd...)**

22 Company has not adopted the enhanced estimated useful life of the asset, suggested by registered valuer as this would have resulted in not complying with the requirement of charging minimum depreciation contemplated by schedule XIV of Companies Act, 1956. Consequently company charged off Rs. 25.34 Crores (Previous year 26.31 Crores) as depreciation on revalued asset for the year. However this has no effect on the losses of the year, as this amount is transferred from the revaluation reserve.

23 Construction/ Turnkey Contracts:

The company for the financial year 2009-10 has recognised revenue on Construction/ Turnkey contracts based on stage of completion as determined with respect to completion of physical proportion of the contract as certified and furnished by Company's Engineers. Consequently,

i. The contract revenue recognised in the period based on the above	3249.19	603.67
ii. Aggregate amount of cost incurred upto reporting date	6754.68	2904.68
iii. Profit (net of loss, if any) recognised upto reporting date	(759.82)	(591.66)
iv. Amount of advance received	1393.43	1086.87
v. Amount of retention money, if any	0.00	0.00
vi. Sundry Debtors as at the end of the period pertaining to the contracts	3653.81	1135.27
vii. Contract Work-in-Progress as at 31st March 2010	0.00	0.00

24 DISCLOSURE REPORT UNDER AS15[REVISED 2005]**a AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES**

	Gratuity	PL	SL	LLTC
Present Value of the obligation	412.39	162.11	4.97	8.11
Fair value of plan assets	226.65	0.00	0.00	0.00
Difference	185.74	162.11	4.97	8.11
Liability recognized in the balance sheet	185.74	162.11	4.97	8.11

b EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT & LOSS

	156.79	58.63	1.40	9.20
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(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd...)			
25	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.		
26	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 and ITI Communications Pte. Ltd, Singapore.		
		ISL	ITI-C
		ISL	ITI-C
	Purchase of goods\Services	0.00	0.00
	Sale of goods/Services	0.00	0.00
	Amounting Outstanding		
	- Due from the related party	1.75	0.48
	- Due to the related party	0.00	0.00
	Provision for doubtful debts against dues from related party.	0.00	0.48
	Written off during the year	1.75	0.00
27.	Remuneration paid to Key Management Personnel [As required under AS-18]		
	Shri. S.K. Chatterjee - CMD - Salary and Perquisites	Rs. 970,620	Rs. 1,523,431
	Shri K.K. Khurana - Director (Human Resources) - Salary and Perquisites	Rs. 977,920	Rs. 719,775
	Shri Rajni Kumar Agarwal - Director (Marketing) - Salary and Perquisites	Rs. 53,766	Rs. 0.00
	Shri. B.P. Gupta - Director (Finance) - Salary and Perquisites	Rs. 982,259	Rs. 745,773
	Shri Ravi Agarwal - Director (Production) - Salary and Perquisites	Rs. 929,573	Rs. 873,136
	Shri Tejbir Singh Director - Salar and Perquisites	Rs. 858,282	Rs. 897,090
28	Earnings Per Share is computed as follows:		
a	Profit/ (Loss) after Tax (Rs. Crores)	(458.76)	(668.18)
	Less : Preference Dividend	22.75	22.75
	Less : Dividend Distribution Tax incl. Surcharge & Ed. Cess	3.87	3.87
	Profit / (Loss) available to Equity Shareholders (Numerator used for calculation)	(485.36)	(694.80)
b	Numbered of Equity shares of Rs. 10 each (Denominator used for calculation)	28800000	28800000
	Basic and Diluted Earnings per share (Rs.)	(16.85)	(24.12)

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
SCHEDULE 10			
NOTES ON ACCOUNTS (Contd...)			
29	Since the company has no virtual certainty of sufficient future taxable income, no deferred tax asset is being recognised on unabsorbed depreciation and carried forward losses of the company under Accounting Standard (AS)-22 "Accounting for Taxes on Income"		
30	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 Jointly controlled entities. The 2 Joint Ventures of the company are:		
a	India Satcom Limited, No.2, Kadugodi Industrial Area, Whitefield, Bangalore - 67 Company's stake in equity participation-49% Place of incorporation of JV-India		
b	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		
		ISL	ISL
c	Aggregate amount of the assets,	9.69	9.69
	Aggregate amount of the liabilities	9.69	9.69
	Aggregate amount of the income	4.25	3.69
	Aggregate amount of the expenses	5.03	3.61
	(The above figures does not include ITI-C, Singapore since it is in the process of liquidation.)		
31	The company has sold the entire shareholding of 1621800 shares of ISL (INDIA SATCOM LIMITED) on 02-09-2006 for a consideration of Rs.3 crores. The same is deposited in ESCROW accounts (asper the agreement sale consideration). Approval of the Central Government is awaited for the said sale of shares.		
32	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.01	0.15
33	Contingent Liability in respect of		
	- Outstanding letters of credit & guarantees	484.05	121.40
	- Sales Tax demand /Service Tax	41.11	32.19
	- Non receipt of C/D forms	130.30	75.78
	- Disputed Excise Duty Demand/CENVAT Disallowance	80.77	80.87
	- ESI demand	0.98	0.00
	- Demand of interest & penalty by KVAT	4.32	0.00
34	Claims against the Company not acknowledged as debts	68.90	64.34

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09		
SCHEDULE 10					
NOTES ON ACCOUNTS (Contd...)					
35	Audit Fee under other capacities include -	Rs. In Lakhs	Rs. in Lakhs		
(i)	Tax-Audit Fees	0.60	0.58		
(ii)	Out of Pocket Expenses for Tax-Audit	0.08	0.02		
(iii)	Certificate fees	1.57	0.86		
		<u>2.25</u>	<u>1.46</u>		
36	Remuneration to CMD and Wholetime Directors				
	No of Directors	6	5		
	Salaries and Allowances	Rs. 3,870,967	Rs. 3,940,434		
	Contribution to PF etc.	Rs. 405,615	Rs. 373,562		
	Perquisites	Rs. 495,838	Rs. 445,209		
	TOTAL	<u>Rs. 4,772,420</u>	<u>Rs. 4,759,205</u>		
37	Particulars of Turnover (incl. Excise Duty) (**)				
	Electronic Switching Equipment	4037.22	1102.01		
	Telephone/ Terminal Instruments	21.27	58.54		
	Transmission Equipments	239.24	299.80		
	Defence Equipments/Services	149.68	45.00		
	Misc. Products & Services	212.91	235.97		
	TOTAL	<u>4660.32</u>	<u>1741.32</u>		
38	Other Income being compensation relating to Srinagar unit losses for the years 2009-10 awaiting reimbursement from Ministry of Communications.	6.18	7.00		
39	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	15	31	28	15
	Telephone Instruments & Components	2	2	3	2
	Transmission Equipment	70	48	11	70
	Regional Office Stock	16	7	24	16
		<u>103</u>	<u>88</u>	<u>66</u>	<u>103</u>

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd...)****40 Licenced / Installed Capacity(**)**

a Licensed capacity- Not Applicable

b Installed Capacity :-

PRODUCT	ACCTG UNIT	INSTALLED CAPACITY	INSTALLED CAPACITY
SWITCHING PRODUCTS			
OCB 283-LOCAL	KL	1000.00	1000.00
OCB-TAX / TANDEM	KC	500.00	500.00
C-DOT EXCHANGE	KL	2600.00	2600.00
SMPS	Rs. Crs.	125.00	125.00
Transmission Products			
Optic Fibre SDH	NOS	3500.00	3500.00
Terminal Equipments			
Telephones	M NOS	1.20	1.20
Solar Panel	NOS	30000.00	30000.00
New Products			
WLLL-INFRA	KL	PROJECTS STAGE	PRODUCT STAGE
GSM - INFRA	KL	6 MILLION	6 MILLION
MLLN	Rs. Crs.	PROJECT STAGE	PROJECT STAGE
SIM CARDS	NOS	10 MILLION	10 MILION
DWDM	NOS	PROJECT STAGE	PROJECT STAGE
DLC - SDH	NOS	PROJECT STAGE	PROJECT STAGE
CDMA-WLL TML/FWT	K Nos	PROJECT STAGE	PROJECT STAGE
ADSL - DSLAM	NOS	PROJECT STAGE	PROJECT STAGE
IPTAX	NOS	PROJECT STAGE	PROJECT STAGE
SSTP	NOS	PROJECT STAGE	PROJECT STAGE

(**) Exemption from disclosure of quantitative details for Turnover, Opening and Closing Stock of Goods Produced, Consumption of Raw Material and Actual Production has been granted by the Ministry of Corporate Affairs vide their Order No 46/95/2010-CL-III Dated 18-05-2010.

41 Information as required by the Para 4D of the Part II, Schedule VI of the Companies Act 1956

a. Value of Imports on CIF basis	CIF Value	Customs Duty	Other charges	TOTAL	TOTAL
Raw Materials and Production Stores	1503.07	88.94	17.96	1609.97	557.06
Components and Spare Parts	8.12	0.02	0.06	8.20	14.92
Material in transit	18.24	1.42	0.06	19.72	65.87
Capital Goods	0.47	0.05	0.02	0.55	11.75
TOTAL	1,529.90	90.43	18.10	1,638.44	649.60

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd...)**

b	Expenditure in Foreign Currency :				
	Royalty	0.00		23.52	
	Knowhow	0.00		0.00	
	Professional / Consultation Fees	0.00		0.00	
	Interest	0.00		0.00	
	Others	1.42		11.45	
		<u>1.42</u>		<u>34.97</u>	
c	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	%	Rs. Crores	%
	Imported	1649.10	39	891.96	60
	Indigenous	2567.45	61	591.48	40
	Total	<u>4,216.55</u>	<u>100</u>	<u>1,483.44</u>	<u>100</u>
d	Amount remitted during the year in foreign currency on account of Dividend.	0.00		0.00	
e	Earnings in Foreign Currency				
	Export of goods calculated on FOB basis	0.03		0.25	
	Royalty, Knowhow, Professional and Consultancy fees	0.00		0.00	
	Interest and Dividend	0.00		0.00	
	Services	0.00		0.00	
	Total	<u>0.03</u>		<u>0.25</u>	
42	The net exchange differences arising during the year -				
(i)	Net Gain/(Loss) appropriately recognised in the Profit & Loss account.	60.39		(96.20)	
(ii)	Net Gain/(Loss) adjusted to the carrying cost of fixed assets	0.00		0.00	
43	Current liabilities includes a sum of Rs. 47.43 lakhs being the principal and interest of unclaimed bonds and public deposit of the Company. The same has not been transferred to "Investors Education and Protection Fund" as per sec 205(c) of the Companies Act. The same will be deposited in that account as soon as the funds position of the company gets improved.				

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS (Contd...)****44 Disclosure of dues / payments to micro and small enterprises to the extent such enterprises are identified by the company.**

(a)	Principal amount remain unpaid on 31.03.2010.	0.09	0.13
(b)	Interest due thereon remaining unpaid on 31.03.2010	0.01	0.00
(c)	The amount of interest paid and principal paid beyond the appointed day	0.00	0.00
(d)	Amount of interest due and payable for delay in payments (which have been paid beyond the appointed day during the F.Y.2009-10) but without adding interest under the MSMED Act, 2007.	0.00	0.00
(e)	Amount of interest accrued and remaining unpaid on 31.03.2010.	0.00	0.00
(f)	Amount of further Interest remaining due and payable even in succeeding years (until such interest dues are paid to small enterprises).	0.00	0.00

45 Performance Indicators - Ratios

-	Sales to Total Assets Sales incl. ED / Total Assets (Net Fixed Assets + Investments + Gross Current Assets)	Times	0.55	0.32
-	Operating Profit to Capital employed Profit before tax / (Share holders' funds + Loan funds)	[%]	-ve	-ve
-	Return on Net Worth (Profit after tax / Share holders' funds)	[%]	-ve	-ve
-	Profit to Sales (Profit before tax to sales incl. ED)	[%]	-ve	-ve

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

(Rs. in Crores)

Sl. No	SUBJECT IN BRIEF	Current Year 2009-10	Previous Year 2008-09
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SCHEDULE 10**NOTES ON ACCOUNTS** (Contd...)

- 47 Accretion/Decretion to stock-in-trade is arrived after considering due adjustment to difference in excise duty element in respect of opening and closing stock-in-trade.
- 48 Figures in brackets indicated in the Accounts reflect negative balances.
- 49 In respect of rental income received from Hosmat Hospital Bangalore service tax and penalty is not considered as this issue of applicability of service tax is sub-judice.
- 50 The Balance Sheet and Profit and Loss Account adopted by the Board of Directors on 04.08.2010 and reported by the Statutory Auditors on 04.08.2010 have been revised in the light of observations arising from the audit by the Comptroller and Auditor General of India resulting in correction of certain notes and increase in net loss by Rs.90.54 Crores.

As per our report of even date
For **KARRA & CO.**
Chartered Accountants

R.SIVAKUMAR
Partner
M.No.19834
Firm Reg No.: 01749s

RACHANA CHOUDHARY
Company Secretary

B.P.GUPTA
Director-Finance

K. L. DHINGRA
Chairman and Managing Director

Place: Delhi
Date: 08.09.2010

SCHEDULE 10
NOTES ON ACCOUNTS (Contd...)

Current Year	Previous Year
2009-10	2008-09

Balance Sheet abstract and Company's General Business Profile :

1	Registration Details		
	Registration No.	(640)/49-50	
	State Code	08	
	Balance Sheet Date	31-3-2010	
2	Capital Raised during the year		
	(in Rs. Thousands)		
	Public Issue	-	-
	Rights Issue	-	-
	Bonus Issue	-	-
	Private Placement	-	-
3	Position of Mobilisation and Development of Funds		
	(in Rs. Thousands)		
	Total Liabilities	120,518,600	88,817,800
	Total Assets	120,518,600	88,817,800
	TOTAL LIABILITIES		
	Sources of Funds		
	(in Rs. Thousands)		
	Paid-up-Capital	5,880,000	5,880,000
	Reserves & Surplus	49,746,100	25,461,000
	Grant-in-Aid	748,100	805,400
	Secured Loans	2,585,200	13,499,400
	Unsecured Loans	196,900	7,939,800
	Current Liabilities & Provisions	61,362,300	35,232,200
		120,518,600	88,817,800
	TOTAL ASSETS		
	Application of Funds		
	(in Rs Thousands)		
	Net Fixed Assets (Incl. Capital WIP)	25,931,400	26,407,900
	Investments	4,100	4,100
	Current Assets	58,358,600	30,218,800
	Misc Expenditure Not Written Off	-	-
	Profit & Loss A/c	36,224,500	32,187,000
		120,518,600	88,817,800
4	Performance of Company		
	(in Rs. Thousands)		
	Turnover [incl. Excise Duty]	46,603,200	17,413,200
	Total Expenditure [incl. Excise Duty]	54,560,100	25,845,400
	Profit	(4587600)	(6681800)
	Earnings Per Share(in Rs.)	(16.85)	24.12)
	Dividend Rate (%)	-	-
5	Principal Products / Services		
	<u>Item Code</u>	<u>Description</u>	
	85.17	Electrical Apparatus for line Telephony or Line Telegraphy	
	85.25	Transmission Apparatus	
	85.27	Reception Apparatus for Radio-Telephony, Radio - Telegraphy etc.	

Place: Delhi
Date: 08.09.2010

RACHANA CHOUDHARY
Company Secretary

B.P.GUPTA
Director-Finance

K. L. DHINGRA
Chairman and Managing Director

SCHEDULE 11
REVENUE EXPENDITURE ON AMENITIES

(Rs. in Crores)

PARTICULARS	TOWNSHIP	TRANSPORT	MEDICAL
Pay and Allowances	3.29	3.33	5.82
Uniforms	0.00	0.00	0.00
Grants	0.00	0.00	0.00
Supplies and Other Services	0.05	3.14	9.17
Power, light & water	5.21	0.09	0.28
Transport Charges	0.02	3.35	0.00
Rent, Rates, Taxes and Insurance	2.38	0.08	0.00
Maintenance and repairs	1.24	0.40	0.05
Depreciation - Buildings	0.31	0.00	0.05
Depreciation - Plant, Machinery Equipment & Vehicles	0.07	0.03	0.02
General Overheads	0.02	0.07	0.07
	12.59	10.49	15.46
Less :			
Recoveries / adjustments			
Rent	7.19	0.00	0.00
Power, Light & Water	1.10	0.00	0.00
Transport Charges	0.00	0.37	0.00
Capitation & other Recoveries	0.00	0.00	0.91
Sales proceeds	0.00	0.00	0.00
Indirect expenses	0.00	0.00	0.00
Allocated to Township, Medical & office use	0.00	0.00	0.00
	8.29	0.37	0.91
Net Expenditure	4.30	10.12	14.55
Interest on Capital outlay national	1.37	0.41	0.37
TOTAL EXPENDITURE	5.67	10.53	14.92
Previous Year	4.88	10.47	15.05

SCHEDULE 11
REVENUE EXPENDITURE ON AMENITIES (Contd...)

(Rs. in Crores)

CANTEEN	SCHOOL, CLUBS, VEGETABLES FARMS, AUDITORIUM, SOCIAL AND CULTURAL ACTIVITES	PARKS ETC,	2009-10	2008-09
3.98	0.29	0.85	17.56	18.71
0.00	0.00	0.00	0.00	0.00
0.00	2.34	0.00	2.34	2.33
2.60	0.00	0.06	15.02	13.17
0.30	0.03	0.02	5.93	6.39
0.00	0.00	0.00	3.37	3.70
0.01	0.00	0.00	2.47	0.32
0.01	0.01	0.11	1.82	1.60
0.05	0.06	0.00	0.47	0.49
0.00	0.03	0.00	0.16	0.19
0.06	0.00	0.00	0.22	0.19
7.02	2.76	1.04	49.36	47.09
0.00	0.00	0.00	7.19	6.08
0.00	0.00	0.00	1.10	0.84
0.00	0.00	0.00	0.37	0.41
0.00	0.00	0.00	0.91	0.83
0.59	0.05	0.00	0.64	0.58
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.59	0.05	0.00	10.21	8.74
6.43	2.71	1.04	39.15	38.35
0.31	0.35	0.00	2.81	2.83
6.74	3.06	1.04	41.96	41.18
6.50	3.07	1.21	41.18	40.15

**SCHEDULE 12
CAPITAL EXPENDITURE ON AMENITIES**

(Rs. in Crores)

GROSS BLOCK AT COST					
PARTICULARS	AS AT 31-03-2009	ADDITIONS DURING THE YEAR	ASSETS SOLD/ SCRAPPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	AS AT 31-03-2010
	1	2	3	4	5=1+2-3-4
TOWNSHIP	1096.68	0.12	0.00	0.00	1097.10
TRANSPORT	6.13	0.00	0.00	0.00	6.13
MEDICAL	7.69	0.00	0.00	0.00	7.69
CANTEEN	6.45	0.00	0.00	0.00	0.00
SCHOOL AUDITORIUM AND ACTIVITIES		CLUBS, SOCIAL CULTURAL			
VEGETABLE PARKS ETC.	0.05	0.00	0.00	0.00	0.05
TOTAL	1130.70	0.12	0.00	0.00	1130.82

SCHEDULE 12
CAPITAL EXPENDITURE ON AMENITIES (Contd...)

(Rs. in Crores)

DEPRECIATION					NET BLOCK	
UPTO 31-03-2009	FOR THE YEAR	ASSETS SOLD/ SCRAPED DURING THE YEAR	TRANSFERS AND ADJUST- MENTS	UPTO 31-03-2010	AS AT 31-03-2010	AS AT 31-03-2009
6	7	8	9	10=6+7-8-9	11=5-10	12
79.83	9.24	0.00	0.00	89.07	1008.03	1017.15
6.10	0.01	0.00	0.00	6.11	0.02	0.03
2.88	0.12	0.00	0.00	3.00	4.69	4.81
1.94	0.16	0.00	0.00	2.10	4.35	4.51
4.51	0.18	0.00	0.00	4.69	8.71	8.89
0.03	0.00	0.00	0.00	0.00	0.02	0.02
95.29	9.71	0.00	0.00	105.00	1025.82	1035.41

CASH FLOW STATEMENT FOR THE YEAR 2009-10

(Rs. in Crores)

	For The Year Ended 31st March 2010	For The Year Ended 31st March 2009	
(A) CASH FLOW FROM OPERATING ACTIVITIES :			
NET PROFIT BEFORE TAX	(458.76)	(667.82)	
ADJUSTMENT FOR :			
DEPRECIATION	24.31	26.72	
FINANCING CHARGES	119.24	292.02	
PROFIT ON SALE OF INVESTMENTS	0.00	0.00	
INTEREST/DIVIDEND RECEIVED	(13.60)	(0.72)	
LOSS ON SALE OF ASSET	0.00	0.04	
PROFIT ON SALE OF ASSET	(0.05)	(0.04)	
TRANSFER FROM GRANT-IN-AID	(316.73)	(130.16)	
NON-CASH EXPENDITURE	129.75	45.16	233.02
OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES	(515.84)	(434.80)	
ADJUSTMENT FOR :			
TRADE AND OTHER RECEIVABLES	(2760.26)	(460.40)	
INVENTORIES	94.70	(51.63)	
TRADE PAYABLES	2613.01	1218.25	
DIRECT TAXES PAID	(0.07)	(0.16)	706.06
CASH GENERATED FROM OPERATIONS	(568.46)	271.26	
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	(568.46)	271.26	
EXTRA ORDINARY ITEMS	0.00	0.00	
NET CASH FROM OPERATING ACTIVITIES [A]	(568.46)	271.26	
(B) CASH FLOW FROM INVESTING ACTIVITIES :			
PURCHASE OF FIXED ASSETS INCLUDING CAPITAL WORK-IN-PROGRESS	(2.41)	(13.38)	
SALE OF FIXED ASSETS	0.43	0.08	
INVESTMENTS	0.00	0.00	
INTEREST RECEIVED	13.60	0.72	
NET CASH USED IN INVESTING ACTIVITIES [B]	11.62	(12.58)	

CASH FLOW STATEMENT FOR THE YEAR 2009-10

(Rs. in Crores)

	For The Year Ended 31st March 2010	For The Year Ended 31st March 2009
(C) CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM LONG TERM BORROWINGS	(1865.71)	(86.86)
GRANT - IN - AID RECEIVED	2820.00	125.00
FINANCING EXPENSES	(119.24)	(292.02)
NET CASH USED IN FINANCING ACTIVITIES [C]	835.05	(253.88)
NET INCREASE IN CASH AND CASH EQUIVALENTS [A+B+C]	278.21	4.81
CASH AND CASH EQUIVALENTS AS AT 01-04-2009 [OPENING BALANCE]	19.03	14.22
CASH AND CASH EQUIVALENTS AS AT 31-03-2010 [CLOSING BALANCE]	297.24	19.03

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

RACHANA CHOUDHARY
Company Secretary

B.P.GUPTA
Director-Finance

K. L. DHINGRA
Chairman and Managing Director

AS PER OUR REPORT OF EVEN DATE
For **KARRA & CO.**
Chartered Accountants

R. SIVAKUMAR
PARTNER
M. NO. 19834
Firm Reg No. : 01749s

Place: Delhi
Date: 08.09.2010

AUDITOR'S REPORT

TO THE MEMBERS OF ITI Ltd.

We had earlier given our report dated 4th August 2010 on the Balance sheet of ITI Ltd as at 31st March 10 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto duly approved by the Board of Directors on 4th August 2010.

Subsequent to the above report, the company has, in light of observations of the Comptroller & Audit General revised the said accounts and the same has been approved by the Board of Directors on 8th September 2010. The impact of revision has resulted in ***the increase in the net loss to the extent of Rs.90.54 Crores and the subsequent changes in the Balance Sheet on account of the revision*** is reflected in Note no 50 of the notes on accounts of the Financial Statements.

We further state that, on the basis of the observations of the Comptroller and Audit General and further information and explanation provided by the management, we have carried out the necessary revisions in this Report with respect to the qualifications given by us earlier, in para 7a with respect to valuation of Inventories, Manufacturing Items and items lying as work in progress, para 7b with respect to inventory of more than two years of the company and have withdrawn the qualifications under para 7c with respect to Sundry Debtors outstanding for more than three years and para 7d with regard to other recoverables in our earlier report dated 4th August 2010. Further in this revised report we have added the qualification with regard to Non Provision of Service Tax on Renting of Immovable Property in para 7i.

This report supersedes our earlier report dated 4th August 2010.

We have audited the Balance Sheet of ITI Ltd, as on 31st March 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors Report) Order, 2003 and as Amended by Companies (Auditors' Report) Order 2004, issued by the Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, and on the basis of the books and records of the company as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

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 the law have been kept by the company so far as appears from our examination of those books. Proper returns adequate for the purpose of our audit have been received from branches/units not visited by us.
3. The reports on the accounts of the units audited by other auditors have been forwarded to us and have been appropriately dealt with by us in preparing our report.

AUDITOR'S REPORT (Contd...)

4. The Balance Sheet, Profit and Loss Account and Cash Flow Statements referred to in this report are in agreement with the books of account and with the audited returns from the units.
5. In our opinion, The Balance Sheet, Profit and Loss Account and Cash Flow Statements dealt with by this report comply with the accounting standard referred to in Section 211(3C) of the Companies Act 1956.
6. Disclosure in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829 (E) dated 21st October 2003 issued by the Department of Company Affairs:
7. a. ***As stated in Accounting Policy No. 3.0 on Valuation of Inventories, Manufactured items and items lying as Work in Progress are valued at the lower of cost and net realizable value. However in Bangalore plant stocks amounting to Rs.27.48 Crores have been carried at cost due to difficulty in ascertaining the Net Realisable Value. We are unable to ascertain the quantum of reduction in the value of inventory if any and consequent impact on the financial statements.***
7. b. ***Inventory of the Company comprises of dormant stocks, work-in-progress, and stock held in the course of trade for two years and more aggregating to Rs.87.98 Crores. Out of such stocks held at Naini Plant there is a short provision to the extent of Rs. 13.21 crores towards obsolescence. This has resulted in understatement of loss and Overstatement of inventories to the extent of Rs.13.21 Crores. As regards provision Rs. 11.30 Crores made towards such stocks held at Bangalore Plant we are unable to comment on the adequacy of the provision and consequent impact on the financial statements.***
7. c. ***The Company has not provided for a sum of Rs.26.85 Crores being penalty levied for non-payment of guarantee fee. This has resulted in understatement of Loss and Current Liabilities to the extent of Rs. 26.85 Crores***
7. d. ***Deposits with Central Excise and Customs department amounting to Rs.43.74 crores require to be confirmed. The impact if any, on financial statements is not ascertainable.***
7. e. ***Balances in the accounts of creditors, debtors, claims & expenses recoverable, loans & advances, deposits, goods with third parties and other payables are subject to reconciliation, confirmation, and consequential adjustments (Refer Note no. 15). The impact if any, on financial statements is not ascertainable.***
7. f. ***Interest & penalty leviable, if any, for non-remittance of statutory dues, on the sales recognized on provisional basis and on the delayed / short remittance of other statutory dues is not ascertainable at present.***
7. g. ***Interest & penalty leviable if any, for violation of the provision of Income Tax Act 1961, for non -deduction of TDS, is not ascertainable at present.***
7. h. ***The Company has not provided interest on non payment of royalty payable. The impact on financial statements is not ascertainable. (Refer Note no. 8)***
7. i. ***The company has not provided Service Tax on Renting on Immovable Property. The impact on financial statements is not***

AUDITOR'S REPORT (Contd...)

ascertainable. (Refer Note no. 49)

7. **j. The impact of notes 7b to 7d has resulted in understatement of loss to the extent of Rs.40.06 Crores, understatement of liabilities by Rs.26.85 Crores and overstatement of Inventories by Rs.13.21 Crores. The impact of the note 7a, note 7b to the extent of adequacy of provision in Bangalore plant and notes 7d to 7i if any on financial statements is not ascertainable.**
7. **k. The increase in the net loss to the extent of Rs.90.54 Crores and the subsequent changes in the Balance Sheet on account of the revision carried out as stated in Note No 50 of Notes to Accounts.**
7. **l. Subject to the effect on the financial statements of the matters referred to in the preceding paragraphs, in our opinion and to the best of our information and according to**

explanations given to us, the financial statements read together with notes thereon and the accounting policies give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- i) In case of the Balance Sheet of the state of affairs of the company as at 31st March 2010
- ii) In case of the Profit and Loss Account, of the loss for the year ended on that date, and
- iii) In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **Karra & Co.**,
Chartered Accountants
Firm Reg No. : 01749s

Place : Delhi
Date : 08-09-2010

R. Sivakumar
Partner
M. NO. 19834

ANNEXURE TO AUDITOR'S REPORT (Contd...)

(Referred to in paragraph 3 of our report of even date)

- i)
- (a) Company has maintained proper records showing particulars including quantitative details and situation of fixed assets, but requires updation so as to reflect original cost, depreciation to date, impairment loss and details of revaluation so as to tally with the figures shown in the books of account.
 - (b) According to information and explanation given to us, all fixed assets have been physically verified by the management in a phased manner except for Srinagar, Rae Bareli, R & D, and Regional offices. No material discrepancies in physical verification have been reported to us.
 - (c) According to information and explanations given to us the company has not disposed off substantial part of the fixed assets so as to affect its going concern status.
- ii)
- (a) According to information and explanations given to us the inventories (excluding the stocks with third parties) have been physically verified by the management at reasonable intervals except for Srinagar.
 - (b) According to information and explanation given to us the procedure for physical verification inventory followed by the management needs to be codified and strengthened in order to be reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) According to information and explanation given to us the company is maintaining proper records of inventory except for WIP of Rae Bareli unit. No material discrepancies were noticed on physical verification of inventory.
- iii)
- (a) Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Sec 301 of Companies Act 1956. Accordingly clauses (iii) (b) to (iii) (g) paragraph 4 of the order are not applicable for the current year.
 - (b) According to information and explanation given to us company has adequate internal control procedures commensurate the size of the company and the nature of its business for the purchase of inventory, fixed assets & sale of goods. According to our information, no major weaknesses in internal control requiring correction have been reported.
- iv)
- (a) According to the information and explanation given to us no transactions have been entered during the year that need to be entered into the register maintained under Section 301 of the Companies Act of 1956. Hence, our comments regarding the reasonableness of prices having regard to the prevailing market price at the relevant time under clause 4 (v) (b) does not arise.
- v)
- According to the information and explanations given to us company has not accepted any deposits from the public requiring compliance with the directives issued by the RBI and the provisions of Section 58A and 58 AA of the Companies Act 1956 and the rules framed there under. The National Company Law Tribunal has passed no order.
- vi)
- Company has its own Internal Audit department. However, in our opinion the internal audit suffers from serious inadequacies such as lack of personnel, inadequate coverage of the extent and scope of the work and regular reporting in order to be commensurate with size and nature of its business.

ANNEXURE TO AUDITOR'S REPORT (Contd...)

vii) According to our information the Central Govt. has not prescribed any cost records under Sec. 209 (1) (d) of the Companies Act 1956.

viii)

(a) Company has been generally regular in depositing undisputed statutory dues with the appropriate authorities except for statutory dues on sales set on provisional basis, the PF dues of Rae Bareli and Naini unit.

(b) According to information and explanation given to us, following undisputed statutory dues are in arrears for more than 6 months and remains unpaid on 31.3.2010.

Statutory Dues	Amount (Rs. In Lacs)
Provident Fund	1032.92
Investor Education and Protection Fund	47.43
Excise Duty	Not ascertained on sale recognized on provisional basis
Sales Tax	Not ascertained on sale recognized on provisional basis
Entry Tax	Not ascertained on sale recognized on provisional basis

Disputed statutory dues aggregating to Rs. 12,272.02 Lacs that have not been deposited on account of matters pending before Appellate Authorities are as under

Rs. In Lakhs

Particulars	Financial Year	Forum	Amount
Sales Tax	2001 - 2004	Trade Tax Tribunal, Lucknow	205.64
Sales Tax	1998 - 1999 2000 - 2008	Joint Com. appeal, Lucknow	1,212.08
Sales Tax	2000 - 2001	Deputy Com., Rae Bareli	0.93
Penalty and Interest	2003 - 2004	Comm. Of Appeals, Allahabad	0.24
Service Tax	2006 - 2007	Comm. Of Appeals, Allahabad	2.86
Service Tax	2006 - 2007	Comm. Of Appeals, Allahabad	1.97
Service Tax	2006 - 2007 2007 - 2008	Comm. Of Appeals, Allahabad	3.71
Service Tax	2007 - 2008	Comm. Of Appeals, Allahabad	1.36
Demand of Additional tax against Form C/F	2007 - 2008	Joint Com. Commercial Tax, Allahabad	50.26
Demand of Additional tax against Form C	2005 -2006	Deputy Com. Commercial Tax, Allahabad	1,013.98
Demand of Additional tax against Form C	2006 -2007	Deputy Com. Commercial Tax, Allahabad	464.81
Sales Tax	1999 - 2000	Member Tribunal, Gorakhpur	1.40
Sales Tax	1989 - 1996	Committee Formed by UP Govt. as Directed by High Court	15.32
Sales Tax	1987 -1989 2000 - 2002	High Court, Allahabad, Lucknow Bench	138.30

ANNEXURE TO AUDITOR'S REPORT (Contd...)

Particulars	Financial Year	Forum	Amount
Sales Tax	1987 -1989 1994 - 1995 2008 - 2010	Additional Court, (Appeals) Sales Tax, Gonda	85.34
Sales Tax Demand	1994-95	High Court (Appeals)	0.93
Sales Tax Demand	1999-00	Appellate tribunal	1.98
Sales Tax Demand	1995-96	Appellate tribunal	15.05
Sales Tax Demand	1999-00	Appellate tribunal	14.15
Sales Tax Demand	1993-94	Appellate tribunal	472.35
Receipt of C/D Forms	2002-03 To 2007-08		441.64
Sales Tax Demand	1999-00	Appellate tribunal	50.71
Excise Duty	2003-04 To 2007-08	COD Clearance from CEGAT awaited	854.26
ED demanded on R&D prototype modules for field trail	2003-04	Com. of Central Excise	329.00
Nil rate of duty availed on software disputed by CE dept.	2001-02 2002-03	Com. of Central Excise	1,770.64
While finalizing Provisional Assessment for the year 2003-04 to 2006-07	2008	Asst Com. of Central Excise	3,904.00
CENVAT credit availed on import of IFWT and Power Supply Units, denied by the CE dept	2007	Com. of Central Excise	376.14
110/115% demanded on Transfer of Purchased Items to Sister Units	2007	Com. of Central Excise	108.28
Nil rate of duty availed on software disputed by CE dept	2008	Joint Com. of Central Excise	9.39
ED demanded on Insurance, Freight and towards Credit notes.	2000-01	Com. of Central Excise	71.55
CENVAT credit availed on Scrap and Written off cases was disallowed.	2000-01	Com. of Central Excise	16.75
NIL rate of duty availed on Software disputed by CE dept	2003-04 & 2004-05	Com. of Central Excise	637.00
Grand Total			12,272 .02

- ix) The net worth of the company (without reckoning the revaluation reserve) as on 31.3.2010 has completely eroded. Further company has incurred cash losses of Rs. 434.45 Crores & Rs. 641.10 Crores for the financial year 2009-10 and 2008-09 respectively. The cash losses for both the financial years have been arrived at without reckoning the effect of audit qualifications in our reports.
- x) The Company has not defaulted in repayment of dues to Banks and Financial Institutions.
- xi) Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

ANNEXURE TO AUDITOR'S REPORT (Contd...)

- xii) According to information given to us the company is not a chit fund / Nidhi or mutual benefit trust / society. Accordingly, the provisions of the Para 4 (xiii) (a) to (d) of the Companies (Auditor's Report) order, 2003 do not apply.
- xiii) According to the information given to us the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of the Para 4 (xiv) of the Companies (Auditor's Report) order, 2003, do not apply.
- xiv) According to information given to us, the company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- xv) In our opinion and according to information and explanations given to us, the company has prima facie applied the term loans for the purpose for which they were obtained.
- xvi) According to the information and explanations given to us and on over all examination of the balance sheet of the company, we report that company has during the year applied the loans for the purpose for which it was raised.
- xvii) According to information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act 1956.
- xviii) The company has not issued any debentures. Hence, the question of creating security in respect of debentures issued does not arise.
- xix) According to information and explanations given to us, the company has not raised any money from public issues during the year.
- xx) According to information and explanations given to us no fraud on or by the company has been noticed or been reported during the year.

For **Karra & Co.**,
Chartered Accountants
Firm Reg. No. : 01749s

Place: Delhi
Date: 08-09-2010

R.Sivakumar
Partner
M. No: 019834

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER
SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS
OF ITI LIMITED FOR THE YEAR ENDED 31ST MARCH 2010.**

The preparation of financial statements of **ITI LIMITED**, Bangalore for the year ended 31st March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 4.8.2010 and their **revised report dated 8.9.2010**.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **ITI LIMITED, Bangalore for the year ended 31st March 2010**. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. In view of the **revisions made in the financial statements by the management as indicated in Note 50 of the Notes forming part of Accounts (Schedule No. 10) and the revisions made at Sl.No.7(a), 7(b), withdrawal of 7(c) and 7(d) of pre-revised Auditor's Report and addition of para 7(i) of Revised Auditor's Report** as a result of my audit observations highlighted during supplementary audit, *I have no further comments to offer upon or supplement to the Statutory Auditors' Report, under Section 619(4) of the Companies Act, 1956.*

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

**Dated: 13 September 2010
Bangalore**

**Sd/-
(C.H.KHARSHIING,I.A.A.S)
Principal Director of Commercial Audit &
ex-officio Member, Audit Board, Bangalore**



ITI LIMITED

**REGISTERED & CORPORATE OFFICE
ITI BHAVAN, DOORVANINAGAR : BANGALORE 560 016.**

I hereby record my presence at the 60th Annual General Meeting held on Thursday, the 30th September, 2010 at 11.30 a.m. at, BANGALORE TAMIL SANGAM No.59, Annaswamy Mudaliar Road, Bangalore-560 042.

Name :

Folio No. / Client ID No. :

No. of Shares :

Address :

Member's / Proxy's Signature

----- CUT HERE -----



PROXY FORM

ITI LIMITED

**REGISTERED & CORPORATE OFFICE
ITI BHAVAN, DOORVANINAGAR : BANGALORE 560 016.**

I, We _____ of _____ being a Member / Members of ITI Ltd., hereby appoint _____ of _____ or failing him _____ of _____ or failing him _____ of _____ as my/ our proxy to vote for me /us and on my/our behalf at the 60th Annual General Meeting of the Company to be held on Thursday, the 30th September 2010 at 11.30 a.m. and at any adjournment thereof.

Dated this _____ day of _____ 2010.

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

Affix
1 Rupee
Revenue
Stamp

Notes:

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