

हिंदी केवल एक भाषा नहीं बल्कि हमारी राष्ट्रीय पहचान है।

ITI LIMITED
(A Govt. of India Undertaking)



आईटीआई लिमिटेड
(भारत सरकार का उपक्रम)

Ref: K/NSE & BSE/2019

Date: 11.10.2019

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

The Manager
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Sir,

Sub: Outcome of Board Meeting

With regard to the captioned matter and in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, this is to inform that the Board of Directors in its meeting held on 11th October 2019 have taken on record the revised audit report (standalone and consolidated) for the year ended 31.03.2019, in light of observations from the audit by office of the Principal Director of Audit, Post & Telecommunications the Comptroller & Audit General of India

Copies of the Revised audit report (standalone and consolidated) is enclosed herewith.

This is for your kind information and record please.

Thanking you,

Yours faithfully
For ITI LIMITED


(S. Sharmuga Priya)
Company Secretary

ITI Limited, Registered and Corporate Office, ITI Bhavan, Doorvaninagar, Bengaluru-560 016, India

आईटीआई लिमिटेड, पंजीकृत एवं निगमित कार्यालय, आईटीआई भवन, दुरवाणीनगर, बेंगलूर 560 016, भारत

Phone : +(91) (80) 2561 4466, Fax : +(91) (080) 2561 7525, Website : www.itiltid-india.com

CIN : L3220KA1950GOI000640

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Company Secretary

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SANKARAN & KRISHNAN

CHARTERED ACCOUNTANTS

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REVISED INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ITI LIMITED

Revised Report on the Audit of the Standalone Financial Statements

On completion of audit of accounts of ITI Limited ("the Company") for the year 2018-19, we had rendered our audit report dated 29th May 2019. Subsequent to our report, in light of the observations arising from the audit by office of the Principal Director of Audit, Post & Telecommunications the Comptroller & Audit General of India, vide letter Rep.FA/F208/208-19/425 dated 1st October 2019, with respect to the reliance placed by us on unaudited financial statements of Regional Offices of the company as reported under para (b) of "Other matters" of our audit report dated 29th May 2019, the said report has been revised. This supersedes our previous independent audit report dated 29th May 2019. This amendment has no impact on the reported figure in the financial statements. Consequent to amendment of para (b) of Other Matters, our report has been revised and placed at the Board Meeting of the company held on 11th October 2019.

Opinion

We have audited the accompanying standalone financial statements of ITI Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.



Basis of Qualified Opinion

Qualifications not quantifiable

- a) Pending approval from the Government of India on the finalization of the lease terms & agreement, rental income on the land leased out to the Bangalore Metropolitan Transport Corporation (BMTC) to an extent of the 12.15 acres proposed to be leased out to BMTC is already in the possession of BMTC, further based on the information furnished to us, BMTC additionally occupies 1.85 acres, has not been recognised as income. A sum of Rs 285.00 lakhs received earlier from the BMTC under an agreement to sell is held under deposits (Refer Note 31.16.);
- b) Rental income on the land leased out to the Karnataka Power Transmission Corporation Limited (KPTC) (to an extent of the 5 acres proposed to be leased out to KPTC is already in the possession of KPTC), has not been recognised as income pending finalisation of lease agreement. (Refer Note No.31.18)

Our opinion is modified in respect of these matters.

Qualifications quantifiable

- a) Non-provision of Rs 5847.90 lakhs towards claims doubtful of recovery, being rent receivable from premises leased out to C-DOT up-to the period ended 31.3.2011 and no rental income for the period subsequent to 31.03.2011 for the same premises has been recognised on accrual basis due to uncertainty of realization (Refer Note No. 31.22);

Our opinion is modified in respect of these matters.

Emphasis of matter

We draw the attention to the following matters in the Notes to the financial statements :

- i) The profit for the year has been arrived at after making adjustments for the following items -'
- Other Income of Rs 33647.30 lacs for the year includes Rs 29851.75 lacs representing the Write back of liabilities of earlier years. (Refer Note . 23)
 - Rs 1622 lacs being GST collected in a contract remained unpaid as on 31st March 2019 in a back to back contract.
 - Finance Costs of Rs 10647.11 lacs are after adjusting an amount of Rs 1356.20 lacs being nominal interest at 1% provided on the Govt of India . loan of Rs 30000 lacs, which in the opinion of the company is no longer required. (Refer Notee.28)
 - Revenue from operations of Rs 166836.84 lacs includes Rs 44504.74 lacs representing "Unbilled Revenue" recognised on the basis of percentage of completion of certain contracts. (Refer Note. 22)
- ii) Formal conveyance/lease deeds in respect of lands, excepting part of lands at Bangalore and Mankapur, are yet to be executed by the respective State Governments - Refer Note No 1
- ii) Necessary accounting adjustments for acquisition of 1.375 acres of land by the National Highway Authority of India (NHAI) for public purposes to be made on receipt of compensation, with proportionate cost of the acquired land having been withdrawn from the fixed assets and held as claims recoverable – (Refer Note No.31.17);
- iv) Balances in the accounts of trade payables, advances from customers, trade receivables, claims recoverable, loans & advances, sub-contractors/others, deposits, loans and other payables/receivables such as Sales Tax, VAT, Excise Duty, CENVAT, Service Tax, Income Tax, GST, TDS, etc., being under confirmation/reconciliation. Adjustments, if any will be made on completion of such reconciliation /receipt of confirmation and we are unable to comment on the impact of the same on the accounts of the company (Refer Note 31.4);



v) The Company is a Sick Company as per provisions of Sick Industrial Companies Act (SICA), 1985. CCEA has approved a financial assistance of Rs. 4156.79 Crores in February, 2014, for Revival of ITI under Rehabilitation Scheme (Refer Note No 31.15)

vi) Lease agreement with ESIC has expired in the month of July 2016 and renewal lease agreement has not been entered. (Refer Note 31.19)

vii) Land measuring 77 Acres have been resumed by the Govt of Kerala and is under adjudication of the Apex Court. The value of land as shown in the balance sheet includes the value of land resumed by the Govt Of Kerala (Refer Note 31.20)

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S.No	Key Audit Matters	Auditor's Response
	<p>The company has adopted Ind AS 115, Revenue from Contracts with Customers ('Ind AS 115') which is the new revenue accounting standard. The application and transition to this accounting standard is complex and is an area of focus in the audit. The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This involves certain key judgments relating to identification of distinct performance obligations, the appropriateness of the basis used to measure the revenue recognized over a period. The Company adopted Ind AS 115 and applied the available exemption provided therein, not to restate the comparative periods</p> <p>Refer Notes 22 to the Standalone Financial Statements</p>	<p><u>Principal Audit Procedures</u></p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach consisted, testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <p>Selected a sample of continuing and new contracts and performed the following procedures:</p> <ul style="list-style-type: none"> - Read, analysed the documents viz., Work Order and RFPs, POs and the Certificates furnished by the company for the stage of completion of various activities of the project. - Discussed with appropriate senior management and evaluated management's underlying key assumptions in estimating the Unbilled Revenue recognised as income in the books of account duly certified by the concerned project/ unit and finance heads - Compared these performance obligations with that identified and recorded by the Company. - Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration. - In respect of samples BhartNet- II projects, progress towards satisfaction of performance obligation used to compute recorded revenue was verified with actual cost incurred up to that stage with estimation. We also tested the access and change management controls relating to these systems. - Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.



<p>Recoverability and assessment of Trade Receivables, advances, balances with government departments The Company has Trade receivable (Note No 7.) of Rs. 265740 lakhs and Loan & Advances balances (Note No. 9.) of Rs. 77669.39 lakhs and Deposit with Government departments, taxes and duties of Rs 6738.02 lacs (Note No 10 ,Trade receivables, advances, balances with government departments of the company comprise mainly receivables in relation to the manufacturing and sale of products, advance to Vendors and Duties and taxes etc.</p> <p>These balances are recognised at their anticipated realisable value, which is the original invoiced amount/payments less provision (estimated for) for non-realisable value.</p> <p>Valuation of trade receivables, advances, and balances with government departments is a key audit matter in the audit due to the size of its holding and the high level of management judgement used in determining the impairment provision.</p>	<p><u>Principal Audit Procedures</u></p> <p>We have performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> -Tested the accuracy of aging of trade receivables, advances, balances with government departments at year end on a sample basis. -Obtained a list of outstanding receivables and identified any debtors wherever there is delay in payment over the terms agreed. - Assessed the recoverability of the unsettled receivables on a sample basis through our evaluation of management's assessment with reference to the credit profile of the customers, historical payment pattern of customers and latest correspondence with customers and to consider, if any additional provision should be made; -Tested subsequent settlement of trade and receivables after the balance sheet date on a sample basis, if any. -We found the key judgements and assumptions used by management in the recoverability assessment of trade receivables to be supportable based on the available evidence.
<p>Disputes and potential litigations: Refer to Note 31.11 in the standalone financial statements :-</p> <p>The Company is involved in legal proceedings on disputed tax demands. The company/s management has assessed that the probability of success of the demand is Remote and accordingly has not provided for the disputed demands. Management judgement is involved in assessing the accounting for demands, and in particular in considering the probability of a demand being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p>	<p>In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we discussed the cases with management, and reviewed correspondence and other documents exchanged between company and advocates/legal practitioners parties involved in the disputes.</p> <p>We tested provisions recorded in the accounting records and reviewed the disclosures for completeness based on our procedures detailed above.</p>

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon. Our opinion



on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

Other Matters

a) We did not audit the financial statements of five Units whose financial statements reflect total assets of Rs. 487336.84 Lakhs as at March 31, 2019, total revenues of Rs.55157.12 Lakhs and Profit after tax of Rs.2964.96 Lakhs for the year ended on that date. These financial statements are audited by the respective Unit Auditors appointed by the Comptroller & Auditor General of India whose reports have been furnished to us and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such other auditors.

b) The Company is having 8 Regional Offices located at Bangalore, Chennai, Hyderabad, New Delhi, Lucknow, Kolkata, Mumbai and Bhubaneswar. Out of the 8 Regional Offices, we have audited the financial statements of Regional Offices located at Bangalore and Chennai, whose financial statements reflect total assets of Rs32345.95 Lakhs as at March 31, 2019, total revenues of Rs 11986.82 Lakhs and Profit after tax of Rs 1147.77 Lakhs for the



year ended on that date . With respect to remaining 6 Regional Offices, whose financial statements reflect total assets of Rs 40722.67 Lakhs as at March 31, 2019, total revenues of Rs 31925.52 Lakhs and Profit after tax of Rs 1682.93 Lakhs for the year ended on that date, we have relied on the financial statements certified by the Management and furnished to us. Based on the information and explanations provided by the management we are of the opinion the assurance level of the reliability and accuracy of the financial statements of the 6 Regional Offices certified by the managements is reliable.

c) We draw attention to Note No 31.5 regarding disclosure of segment information as required under Ind AS 108.

Our opinion is not modified in respect of these other matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements. (Refer Note No 31.11 of standalone financial statements)
 - ii. The Company did not have any derivative contracts but have provided, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts.
 - iii. There were no amounts, which were required to be transferred, to the Investor Education and Protection Fund by the Company.



2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.
3. As required by Section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact on the accounts and financial statements of the Company – Reference Annexure C attached

For **SANKARAN & KRISHNAN**
Chartered Accountants
(Firm's Registration No. 003582S)



S.CHANDRAN
Partner
(Membership No.: 8646)

Place : New Delhi
Date : 11th October, 2019

ANNEXURE "A" TO THE REVISED INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of ITI Limited of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **ITI LIMITED** ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company.



Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Limitations of Internal Financial Controls Over Financial Reporting


Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



For **SANKARAN & KRISHNAN**
Chartered Accountants
(Firm's Registration No. 003582S)


S.CHANDRAN
Partner
(Membership No.: 8646)

Place : New Delhi
Date : October 11, 2019

**ANNEXURE 'B' TO THE REVISED INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements'
section of our report to the Members of ITI Limited of even date)**

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2019, we report that:

i) a) The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets on the basis of available information.

b) According to the information and explanations given to us and on the basis of the Report of the Other Auditors, fixed assets at all other locations have been physically verified by the management periodically in a phased manner and no material discrepancies were noticed on such verification.

ii) According to the information and explanations given to us, inventories have been physically verified by the management every year. According to the information and explanations given to us and based on the Report of the Other Auditors, no material discrepancies were noticed on physical verification of the inventories at the locations where Management had carried out physical verification.

iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore paragraph 3(iii) of the Order is not applicable to the Company.

iv) The Company has not granted any loans or provided any guarantees or security to the parties covered under Section 185 of the Act. The Company has complied with the provisions of section 186 of the Act in respect of investments made or loans provided to the parties covered under Section 186.

v) The Company has not accepted deposits from public in accordance with the provisions of sections 73 to 76 of the Act and the rules framed there under.

vi) We have broadly reviewed the cost records maintained by the Company as specified by the Central Government under section 148(1) of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete

vii) (a) According to the information and explanations given to us and the records of the company examined by us and on the basis of Report of the Other Auditors, in our opinion, the Company is not regular in depositing undisputed statutory dues including Provident Fund employees' state insurance, TDS , sales-tax, service tax, duty of customs duty , excise duty, GST, value added tax, cess and any other statutory dues to the appropriate authorities and a sum of Rs 24371 lakhs pending as arrears pertaining to Provident Fund in the books of the company. Further a sum of Rs 57.13 lacs being arrears towards UP Trade Tax , which are not disputed and are outstanding for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and based on the Report of the Other Auditors, statutory dues that have not been deposited with the appropriate authorities on account of any dispute are as follows:



Sl. No.	Name of the statute	Nature of dues	Amount in Rs. Lakhs	Period to which the dispute relates	Forum where the dispute is pending
1.	Central Excise Act, 1944	Nil rate of duty availed on Software disputed by CE dept (Net of Pre deposit Rs.200.00 lakhs)	637.00	2003-2005	Custom Excise & Service Tax Appellate Tribunal
2.	Central Excise Act, 1944	ED Demanded on R&D prototype modules for field trail. Stay extended (net of pre deposit Rs.30.00 lakhs)	299.00	2006-07	Custom Excise & Service Tax Appellate Tribunal
3.	Central Excise Act 1944	Nil Rate of Duty availed on software disputed by Central excise dept (Net of Pre deposit Rs. Rs.14.00)	497.28	2001-2002 2002-2003	Custom Excise & Service Tax Appellate Tribunal
4.	Central Excise Act 1944	CENVAT Credit	376.00	2007-2008	Custom Excise & Service Tax Appellate Tribunal
5.	Central Excise Act 1944	110%/115% demanded on transfer of purchased items to sister units	108.28	2007-2008	Custom Excise & Service Tax Appellate Tribunal
6.	UP VAT	Sales Tax	264.89	1986-1989	UP Government
7.	UP VAT	Sales Tax	15.32	1989-1996	UP Government
8.	Income Tax Act, 1961	Penalty/Additional fees For TDS	4.91	2008-2011	CPC (TDS)
9.	Finance Act, 1994	Service Tax	8435.14	2009-10 to 2013-14	Tribunal Allahabad
10.	Finance Act, 1994	Service Tax	1992.19	2009-10 to 2013-14	Tribunal c
11.	Central Sales Tax, 1956	Dem109109and of Additional Tax against Form C	1013.98	2005-2006	Addl Commissioner, Appeals Commercial Tax, Allahabad
12.	Central Sales Tax, 1956	Demand of Additional Tax against Form C	2.64	2007-08	Dy. Commissioner sector 14, Commercial Tax, Allahabad
13.	Central Sales Tax, 1956	Demand of additional Tax Against Form C/F	9.23	2008-09	Addl Commissioner, Appeals Commercial Tax, Allahabad
14.	Central Sales Tax, 1956	Addl. Commissioner Appeals Commercial Tax Allahabad	7.48	2009-10	Joint Commissioner, Commercial Tax, Allahabad



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15.	Central Sales Tax, 1956	Demand of Additional Tax Against Form C/F	60.57	2010-11	Dy. Commissioner sector 14, Commercial Tax, Allahabad
16.	Central Sales Tax, 1956	Remand Order against appeal granted	10.96	2011-12	Addl Commissioner, Appeals Commercial Tax, Allahabad
17.	Central Sales Tax, 1956	Remand Order against appeal granted	96.17	2012-13	Dy. Commissioner sector 14, Commercial Tax, Allahabad
18.	Central Sales Tax, 1956 UP – VAT	Demand of Tax	86.75	2013-14	Addl Commissioner(Appeals), Commercial Tax, Allahabad
19.	CST	Sales Tax	28.04	2001-02	High Court, Eranakulam
20.	CST	Sales Tax	24.61	2005-06	High Court, Eranakulam
21.	Central Sales Tax, 1956	Sales Tax	97.72	2006-2007	High Court of Kerala
22.	Central Sales Tax, 1956	Sales Tax	0.88	2009-2010	Appeal at Tribunal, Palakkad
23.	CST	Sales Tax	504.13	2003-04	KVAT – Appeal
24.	CST	Sales Tax	111.20	2013-14	DC- Appeal
25.	CST	Sales Tax	13.25	2014-15	DC- Appeal
26.	CST	Sales Tax	13.56	2015-16	DC- Appeal
27.	CST	Sales Tax	250.00	2016-17	DC- Appeal
28.	CST	Sales Tax	26.27	2017.-18	DC Appeal
29.	VAT	Sales Tax	84.09	2012-13	DC Appeal
30.	Service Tax (Finance Act, 1994)	Service Tax	109.44	2010-2011	Commissioner of Central Excise, Calicut
31.	Service Tax (Finance Act, 1994)	Service Tax	140.34	2011-2012	Commissioner of Central Excise, Calicut



32.	Service Tax (Finance Act, 1994)	Denial of service Tax Credit on Input Services	161.27	2011-2012	Commissioner of Central Excise, Calicut
33.	Service Tax (Finance Act, 1994)	CENVAT Credit on Manpower supply	2.76	2012-2013	Commissioner of Central Excise, Calicut
	Service Tax (Finance Act, 1994)	CENVAT Credit on Manpower supply	2.69	2012-2013	Commissioner Calicut
34.	Sales Tax Act	Sales Tax	504.23	2000-2001 2001-2002 2003-2004 2005-2006	Trade Tax Tribunal, Lucknow
35.	Sales Tax & Entry Tax Act	Sales Tax	228.71	1998-1999 2000-2005 2006-2009	Additional Commissioner (TradeTax) Lucknow
36.	Sales Tax Act	Sales Tax	0.93	2000-2001	Dy. Commissioner (Trade Tax) RBL
37.	Sales Tax	Sales Tax	195.64	2009-2013	Additional Commissioner (TradeTax) Lucknow
38.	Karnataka Municipalities Act, 1964	Demand for higher rate of property tax	824.83	2008-09 to 2017-18	High Court of Karnataka
39.	Karnataka VAT Act, 2003	Turnover Suppression	26.47	2013-14	Commercial Tax Officer, Thirpunitthura
40.	Karnataka VAT Act, 2003	Turnover Suppression	48.92	2014-15	Appellate Assistant Commissioner, Commercial Taxes, Ernakulam
41.	Service Tax	Non payment of Service Tax on Royalty payments received	44.78	2012-13 to 2014-15	Commissioner of Central Excise
42.	KVAT	Turnover suppression	65.87	2012-13	Dy Commr(Appeals) - Commercial Tax, Ernakulam
43.	Sales Tax	Sales Tax	733.36	1987-88 to 1989-90, 1996-97, 1999-00, 2002-03	High Court, J & K
		Total	18161.78		

viii) According to the records of the Company examined by us and information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any bank or Government.

ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.



x) According to the information and explanations given to us and based on the Report of the Other Auditors, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

xi) Being a Government Company, paragraph 3(xi) of the Order with regard to Section 197 of the Companies Act, 2013 relating to Managerial Remuneration is not applicable to the Company in view of Notification No.G S R 463(E) dated June 05, 2015.

xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such related party transactions have been disclosed in the financial statements as required under Accounting standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv) The Provisions of Section 42 and Section 62 of the Companies Act, 2013 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are not applicable to the Company as the Preferential Issue of Equity Shares is made in terms of the Rehabilitation Scheme approved by the Board of Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act 1985.

xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For SANKARAN & KRISHNAN
Chartered Accountants
(Firm Registration No.003582S.)



S.CHANDRAN
Partner

(Membership No 8646).

New Delhi, October 11, 2019

Annexure -C

Directions under Section 143(5) of the New Companies Act, 2013 issued by the Comptroller and Auditor General of India to the Statutory Auditors of ITI Limited, for conducting audit of accounts for the year 2018-19.

S.No.	Area	Auditor Comment
a)	Whether the Company has system in place to process all the accounting transactions outside IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, the company has system in place to process all the accounting transactions through IT system. We observed that no accounting transactions are processed outside IT system on the integrity of the accounts
b)	Whether there are any restructuring of an existing loan or cases of waiver write off Debts/loans/Interest etc, made by a lender to the company due to the company's inability to repay the loan ? if yes, the financial impact may be stated.	During the financial year 2018-19, there are no instances of restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc made by a lender to the company due to company/s inability to repay the loan. Attention is drawn to the Note 31.15 of the audited financial statements with reference to the status of the financial assistance of Rs 4156.79 crores approved by the Cabinet Committee of Economic Affairs(CCEA) in Feb 2014 for revival of ITI Ltd under Rehabilitation Scheme
c)	Whether funds received/receivable for specific schemes from Central/ State Agencies were properly accounted for/ utilised as per its terms and conditions ?.List the cases of deviation .	The company, during the year of audit, has received Rs 5500 lacs from Dept of Telecommunications, Govt of India to meet the Capex implementation of various projects in its various plants., The funds were properly accounted for in the books of account . Out of the said funds released, Rs 25.16 Crore has been utilised for CAPEX, Rs 24.81 Crore was utilised towards working capital purposes and the balance Rs 5.03 Crore is yet to be utilised .

**For Sankaran & Krishnan
Chartered Accountants**

Firm Registration No: 003582S

S.Chandran

Partner

Membership No: 8646

Place: New Delhi

Date: October 11, 2019

