

हिंदी केवल एक भाषा नहीं बल्कि हमारी राष्ट्रीय पहचान है ।



आईटीआई लिमिटेड

पंजीकृत एवं निगमित कार्यालय
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सी आई एन : L32202KA1950Gol000640

ITI LIMITED

Registered & Corporate Office
ITI Bhavan, Dooravaninagar,
Bengaluru - 560 016, India
Phone : +91 (80) 2561 4466
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Website : www.itiltld-india.com
CIN : L32202KA1950Gol000640

Ref: K/NSE /2016
Date: 06.12.2016

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

Dear Sir,

Sub: Qualified audit reports filed by listed entities.
Ref : Your mail dated 05th August 2016.

With reference to the above, please find herewith the statement of Impact of Audit qualifications in the prescribed format for the year 2014-15 duly signed by Shri P K Gupta, Director Marketing / Addl charge Chairman and Managing Director, Dr Janaki Ananthakrishnan, Director Finance, Shri Saday Krishna Kanoria Chairman of Audit Committee and M/s. Sundar, Srini & Sridhar, Statutory Auditors.

We also wish to mention that the Shri P K Gupta was not Chairman and Managing Director and Shri Saday Krishna Kanoria, was not a member / Chairman of Audit Committee for the year 2014-15. To comply with the above cited mail, the statement in the prescribed format has been signed by them.

Kind attention is also brought to the fact that form B for 2014-15 dated 11.08.2015 was submitted along with the Annual report 2014-15 duly signed by Shri K K Gupta, then Director Production / Addl charge CMD, Dr Janaki Ananthakrishnan, Director Finance, Shri Ramesh Bhat, then Chairman of Audit Committee and M/s. Sundar, Srini & Sridhar, Statutory auditors.

Please take note of the same into your records.

Thanking you,

Yours faithfully
For ITI LIMITED


(S. Shanmuga Priya)
Company Secretary

ANNEXURE I**Statement Of Impact Of Audit Qualifications For The Financial Year Ended March 31st, 2015****(Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016)***(In Rs. Lakhs)*

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted figures (audited figures after adjusting for qualifications)
1	Turnover / Total income	65,924.82	65,924.82
2	Total Expenditure	95,637.52	101,720.35
3	Net Profit/(Loss)	(29,712.70)	(35,795.53)
4	Earnings per share	(11.26)	(13.37)
5	Total Assets	534,063.74	527,980.91
6	Total Liabilities	482,008.61	482,008.61
7	Net worth	(164,785.00)	(170,867.83)
8	Any other financial item(s) (as felt appropriate by the management)	NA	NA

Qualification No. 1

a	Details of Audit Qualification <i>Our comments on the adequacy of provision on non-moving and slow moving inventories and on trade receivables in paras 4(ii) & (iii) in the Annexure to this report containing a statement on the matters specified in paragraphs 3 and 4 of the Companies(Auditor's Report) Order, 2015;</i>
b	Type of Qualification – Qualified Opinion
c	Frequency of Qualification –Repetitive
D	Audit Qualification –Not Quantified (i) Management's estimation on the impact – Nil. (ii) Reasons – Inventory available has been reviewed and provision is made after a review by the technical committee for their usefulness in each unit. The existing provision is found to be adequate (iii) <u>Auditors'</u> comments – Refer to the comments made in the details of qualification

Qualification No. 2

a.	<i>Investment of Rs 40.55 lakhs in the unquoted equity shares of a Joint Venture(JV) Company being continued to be shown at cost, considering networth the JV is totally eroded and Statutory Auditors of the JV have expressed their inability to comment on the going concern concept adopted by the said JV and no impairment loss has been ascertained and provided for(Refer Significant Accounting Policies 5.00 and Note No.17);</i>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –First Time
d.	Audit Qualification –Not Quantified (i) Management's estimation on the impact – Rs. 40.55 lakhs, (ii) Reasons – The assets of the JV company (Land), which has been revalued by the SBI panel valuer carries a value very much more than the cost of the investment. Hence the investment of Rs.40.55 lakhs has been shown at cost. (iii) Auditors' comments – Refer to the comments made in the details of qualification

Qualification No. 3

	<i>(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 is already in possession of the BMTC), has not been recognised as income. Rs 285.00 lakhs received earlier from the BMTC under an agreement to sell is held under deposits(Refer Note 40.17);</i>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management's estimation on the impact – cannot be quantified (ii) Reasons – The case has been referred to DoT to get approval for leasing the property to BMTC, which is yet to be finalized. (iii) Auditors' comments – Refer to the comments made in the details of qualification

Qualification No. 4

a	<i>Non provision for the interest payable on royalty due to C-DoT(Refer Note No. 35) in view of rental dues from the same agency for the premises taken on rent from the Company being more than the royalty amount (Refer Note No. 40.23);</i>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – Interest on royalty payable to C-DoT has not been provided in view of substantial dues (which are more than the royalty amount) outstanding for a long time from C-DoT on account of rent payable for the Company’s premises leased out to them. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 5

a	<i>Interest and penalty, if any, leviable for non remittance of statutory dues on sales accounted on provisional basis (tax incidence on such sales not recognized) and delayed/short remittance of other statutory dues as also non deduction of TDS as per the provisions of Income Tax Act, 1961;</i>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Not Quantified (i) Management’s estimation on the impact – cannot be quantified (ii) Reasons – Where sales are accounted based on provisional prices, differential sales are accounted in the year in which the prices are firmed up and the differential statutory dues are paid/claimed. Also, all known liabilities have been accounted for and there are no cases of non-deduction of TDS to the best of our knowledge. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 6

a	No lease agreement has been entered with Karnataka Power Transmission Corporation Limited (KPTCL) for the land occupied by KPTCL to an extent of 5 Acres (Refer Note No. 40.19);
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –First Time
d.	Audit Qualification –Not Quantified (i) Management's estimation on the impact – cannot be quantified (ii) Reasons – efforts are being made by the company regarding the settlement of KPTC land issues at the earliest. (iii) Auditors' comments – Refer to the comments made in the details of qualification

Qualification No. 7

a	Our comments on the non-maintenance of proper fixed assets register and no physical verification of fixed assets has been carried out by the company in a few units as stated in para 1(a) in the Annexure to this report containing a statement on the matters specified in paragraphs 3 and 4 of the Companies(Auditor's Report) Order, 2015;
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –First Time
d.	Audit Qualification –Not Quantified (i) Management's estimation on the impact – cannot be quantified (ii) Reasons – The management is in the process of building proper fixed assets register. (iii) Auditors' comments – Refer to the comments made in the details of qualification

Qualification No. 8

a	Non provision of Rs 6897.31 lakhs towards claims doubtful of recovery comprising of (i) rent receivable of Rs 5847.90 lakhs on a premises leased out upto the period ended 31.3.2011, rent from 1.4.2011 for the same premises being deferred for recognition on accrual basis due to uncertainty of realization (Refer
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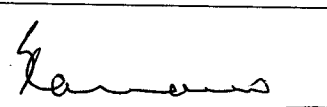
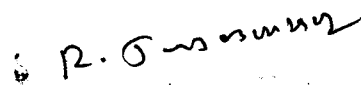
	<i>Note No.40.23); (ii) liquidated damages of Rs 1049.41 lakhs on a supplier, rejected by the Arbitral Tribunal. Had the said amounts been provided in the accounts, loss for the year would have been higher by Rs 6897.31 lakhs and consequently reserves & surplus and current assets would be lower by similar amount,</i>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Quantified (i) Management’s estimation on the impact – Rs.6897.31 Lakhs (ii) Reasons – The company has been rigorously following on with the DoT for resolving the pending issue of the rent due from C-DoT. Subsequently, DoT has informed ITI to present the subject to ITI Board for perusal for the further course of action. Company is of the view that provision for Rs.5847.90 Lakhs at this juncture is not required till the issue is finally settled. As regards the LD of Rs.1049.41 Lakhs, the matter is in the court. Till then, it is felt that no provision is required to make. With regard to other claims amounting to Rs.1956.33 Lakhs, the company is confident of recovering the same. (iii) Auditors’ comments – Refer to the comments made in the details of qualification

Qualification No. 9

a	<i>Provision of Rs.315.97 Lakhs for work in progress Inventories in respect of the items pertaining to phased out projects and also not usable, has not been made which has resulted in the understatement of the Loss by Rs.315.97 lacs and overstatement of current assets to a same extent,</i>
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –Repetitive
d.	Audit Qualification –Quantified (i) Management’s estimation on the impact – Rs.315.97 Lakhs (ii) Reasons – Inventories are classified as Active, slow moving, dormant 1 (not moving for one year) dormant 2 (not moving for more than 2 years) depending on their movement/usage. Provision for inventory is made after a review by a technical committee for their usefulness in each unit and then approved by the Board of Directors. The inventory available has been reviewed and the existing provision is found to be adequate. (iii) Auditors’ comments – Refer to the comments made in the details of qualification.

Qualification No. 10

a	Amount spent for the creation and maintenance of data enrolment centre for MORD for NPR project totalling to Rs. 1171 lakhs is treated as revenue expenditure and no depreciation is provided as expenditure is not capitalised resulting in overstatement of loss to that extent (Net)
b.	Type of Qualification – Qualified Opinion
c.	Frequency of Qualification –First Time
d.	Audit Qualification –Quantified (i) Management's estimation on the impact – Rs.1171. Lakhs (ii) Reasons – Amount spent for creation and maintenance of Data Enrolment Centre for MORD for NPR project to an extent of Rs. 11.71 crore is treated as revenue expenditure by the Palakkad Unit. The Management has clarified that no recurring revenue on the investment made in the said Asset will arise in future and hence it is treated as revenue expenditure. (iii) Auditors' comments – Refer to the comments made in the details of qualification

P K Gupta Chairman & Managing Director	
Dr. Janaki Ananthakrishnan Chief Financial Officer/Director Finance	
S K Kanoria Audit Committee Chairman	
Statutory Auditor	

Place: Bangalore

Date: November 10, 2016

