

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 34th Annual Report on the business and operations of the Company together with the Audited Financial Statements for the year ended 31st March, 2018.

The name of the Company has been changed from Pitti Laminations Limited to Pitti Engineering Limited to reflect our evolution as a integrated engineering solutions provider.

FINANCIAL RESULTS

The financial performance of your Company for the year ended 31st March, 2018 is summarised below:

Particulars	₹ in lakhs	
	2017-18	2016-17
Net Revenue from Operations	38032.44	28589.72
Other Income	294.30	306.90
Profit before Finance Costs, Depreciation, Amortisation and Tax	5752.56	3660.56
Less: Finance costs	2357.86	1531.60
Profit before Depreciation, Amortisation and Tax	3394.7	2128.96
Less: Depreciation & Amortisation	1763.21	1617.40
Profit before Tax	1631.49	511.56
Less: Tax expenses	503.53	80.53
Profit after Tax	1127.96	431.03
Add: Other comprehensive income	26.45	109.34
Total comprehensive income for the year	1154.41	540.37
Add: Surplus at the beginning of the year.	5342.11	4801.74
Less: Dividend	-	-
Less: Transferred to General reserve	-	-
Surplus carried to Balance sheet	6496.52	5342.11

Pursuant to the notification dated 16th February, 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("IndAS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from 1st April, 2017. The financial statements for the year ended and as at 31st March, 2017 have been restated to conform to IndAS.

OPERATING RESULTS AND BUSINESS OPERATIONS

The company reported a robust performance during the year under review, with a revenue and total comprehensive income growth of 33.03% and 113.63% respectively compared to the same period last year. The company's efforts for the past few years on expansion, modernisation and strategic relocation has resulted in higher revenues and better margins. The Net revenue from

BUSINESS OVERVIEW

Pitti Engineering Limited, formerly known as Pitti Laminations Limited, is a manufacturer of Stator & Rotor Core Assemblies, Die Cast Rotors & Assemblies, Traction Motors, High Precision Machine Components, Pole Assemblies, Specialized Electrical Steel Laminations, etc. Pitti Engineering caters to the industries like transportation (rail, road & off highway, diesel electric vehicles), power generation, aerospace,

oil & gas, mining, earth moving and others. The company supplies full assemblies and sub-assemblies, high precision machined castings, laminations and fabricated bodies, etc. The company also manufactures special purpose lamination and stampings for all types of rotating electrical machinery, motor cores, sub-assemblies, die cast rotors and press tools. The company offers end to end support for motor and generator manufacturers.

operations for the financial year 2017-18 was ₹380.32 crores as against ₹285.90 crores in the previous year and the total comprehensive income for the period was ₹ 11.54 crores as against ₹ 5.40 crores in the previous year.

The total debt as on 31st March, 2018 was ₹ 255.92 crores which included ₹ 88.68 crores long-term debt and ₹ 167.24 crore of short term debt. Cash and cash equivalents at the year end was ₹ 13.52 crores resulting in a net debt position of ₹ 242.40 crores. We continued to maintain a conservative leverage profile with a total debt to equity ratio of 1.66x

During the year under review the company had commenced operations at the Aurangabad and commenced commercial production at Hyderabad (Plant -IV). Further the Company has been re-certified by BVCI in Quality

Management Systems ISO 9001:2015 and Environmental Management Systems ISO 14001:2015. Our Quality Management Systems ISO 9001:2015 has been integrated with Environmental Management Systems ISO 14001:2015 in all the plants.

MATERIAL CHANGES

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year of the Company to which the financial statements relate and the date of this report. Further, it is hereby confirmed that there has been no change in the nature of business of the Company.

TRANSFER TO RESERVES

The Company does not propose to transfer any amount to the General reserve out of the amount available for appropriation.

DIVIDEND

In view of the expansion plans and requirement of higher working capital for the purpose of business of the Company, your Directors express their inability to recommend dividend for the financial year 2017-18. The Board of Directors of the Company has adopted a dividend distribution policy. The policy is also available on the website of the company www.pitti.in.

CHANGES IN SHARE CAPITAL

During the year under review the authorised share capital of the Company was increased from ₹ 15 crores comprising of 3 crore equity shares of ₹ 5 each to ₹ 30 crores comprising of 6 crore equity shares of ₹ 5 each.

In order to meet the capital expenditure for setting up new facilities at Aurangabad and Hyderabad, general corporate and working capital requirements the company had availed loans from banks which had stipulated minimum promoter's contribution against their lending, the Company had obtained approvals from the shareholders for making preferential allotment to the promoters and promoter group. Accordingly 28,44,445 equity shares of ₹ 5/- each were issued and allotted at a price of ₹ 90/- per share (including a premium of ₹ 85/- per share) to the persons belonging to the promoter/promoter group on preferential basis. The issued and paid up capital of the Company as on 31st March 2018 stands increased to ₹ 14,91,39,225 divided into 2,98,27,845 equity shares of ₹ 5/- each. The equity shares issued during the year rank pari-passu with the existing equity shares of the Company.

Further the Company has allotted 22,22,222 convertible warrants at a price of ₹ 90/- each to be converted into 22,22,222 equity shares of ₹ 5/- (including a premium of ₹ 85/- per share) to the persons belonging to Promoter/Promoter Group on 14th February, 2018. The subscription amount of 25% of warrant price has been received and fully paid-

up equity shares of the Company will be allotted on receipt of balance 75% warrant price within 18 months from date of allotment.

The amount raised through the preferential issue has been used for the objects of the preferential issue as stated in the 33rd AGM notice and there has been no deviation from the intended use of the funds.

CHANGE IN NAME OF THE COMPANY

Further to the special resolution passed by the shareholder of the Company at the Extra-Ordinary General Meeting held on 11th April, 2018 approving the change in the name of the Company from 'Pitti Laminations Limited' to 'Pitti Engineering Limited', the Ministry of Corporate Affairs, Office of Registrar of Companies, Hyderabad has issued a Certificate of Incorporation pursuant to change of name on 8th May, 2018.

Consequent to change in name of the Company from Pitti Laminations Limited to Pitti Engineering Limited the scrip code of the company on the National Stock Exchange of India Limited has been change from PITTILAM to PITTIEENG.

PUBLIC DEPOSITS

During the year under review, your Company has not accepted any deposit within the meaning of Section 73 and 74 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 (including any statutory modification(s) or re-enactment for the time being in force.

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

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 134 (3) (m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules,

2014 is annexed as an Annexure-1 and forms an integral part of this report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the regulators / courts that would impact the going concern status of the Company and its future operations.

DIRECTOR'S & KEY MANAGERIAL PERSONNEL

In accordance with the provisions of Section 152 of the Companies Act, 2013 Shri Akshay S Pitti, Vice-Chairman & Managing Director retires by rotation and being eligible offers himself for reappointment.

In terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9th May 2018, effective from 1st April, 2019 consent of the Members by way of Special Resolution is required for continuation of a Non-Executive Director beyond the age of seventy five years. Shri M Gopalakrishna, IAS (Retd) is 79 years of age and will complete his present term as an Independent Director on 21st September, 2019. The Board at its meeting held on 13th August, 2018, on the recommendation of the Nomination & Remuneration Committee recommended for the approval of the Members, continuation of Shri M Gopalakrishna, IAS (Retd) as an Independent Director of the Company from 1st April, 2019 till the completion of his present term on the existing terms and conditions.

The Independent Directors of the Company have submitted a declaration confirming that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 16 (b) of the Listing Regulations.

The Board had appointed Ms. Mary Monica Braganza as Company Secretary

DIRECTORS' REPORT

& Compliance Officer effective from 14th December 2017. Shri Satyabrata Padhi has resigned as Company Secretary on 16th November 2017. Shri Sharad B Pitti, Chairman & Managing Director; Shri Akshay S Pitti, Vice-Chairman & Managing Director ; Shri NK Khandelwal, President Corporate Resources & CFO and Ms. Mary Monica Braganza, Company Secretary & Compliance Officer are the Key Managerial Personnel of the Company as on the date of this report.

Meetings of the Board

Nine meetings of the Board were held during the year. The details of composition of the Board, particulars of meetings held and attended by each Director are detailed in the Corporate Governance Report, which forms part of this Report.

Committees of the Board

Detailed composition of the mandatory Board committees namely Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee, number of meetings held during the year under review and other related details are set out in the Corporate Governance Report which forms a part of this Report.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out an evaluation of the directors as well as the evaluation of the Board and its Committees. The process was carried out by circulating questionnaires on the Board and Committees functioning on certain parameters. The performance evaluation of the independent directors was carried out by the entire Board, except the director being evaluated. The performance evaluation of the Chairman and Non-Independent Directors including Executive Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

Remuneration Policy

The Board of Directors has framed a policy which lays down a framework in relation to the remuneration of Directors, key managerial personnel and senior management of the Company. This policy also lays down criteria for selection and appointment of Board members. The detailed policy is available on Company's website www.piiti.in.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The information relating to remuneration and other details as required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, is provided as an Annexure-2 to this report.

There are no employees who draw remuneration in excess of the limits prescribed in Rule 5(2) (i), (ii) and (iii) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Pursuant to the provisions of the first proviso to Section 136(1) of the Act and as advised, the annual report excluding the remuneration details of top ten employees is being sent to the members of the Company. The said information is available for inspection on all working days, during business hours, at the Registered Office of the Company. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (3) (c) of the Companies Act, 2013, the Directors of your company confirm that:

a) in the preparation of the annual accounts for the financial year ended 31st March, 2018, the applicable Accounting Standards have been followed and there are no material departures from the same;

b) such accounting policies as mentioned in the notes to the financial statements have been applied consistently and 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, 2018 and of the profit of the Company for the year ended on that date.

c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the annual accounts have been prepared on a 'going concern' basis;

e) proper internal financial controls laid down by the Directors were followed by your Company and that such internal financial controls are adequate and operating effectively; and

f) proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

INDUSTRIAL RELATIONS

Your Company has always considered its workforce and their skills as its valuable asset and continues to enhance the performance driven environment with emphasis on aligning it with the changing business requirements.

PREVENTION OF SEXUAL HARRASSMENT

Your Company has formulated a policy for the prevention of sexual harassment at the workplace. It ensures prevention and deterrence of acts of sexual harassment and communicates procedures for their resolution and settlement. The Company is committed to creating and maintaining

a healthy working environment that enables employees to work without fear or prejudice, gender bias and sexual harassment. The Company believes that all employees have a right to be treated with respect and dignity and has zero tolerance towards violations of its code of conduct, in general, and its sexual harassment policy, in particular. During the year, no complaint under the sexual harassment policy has been received by the Company.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has adopted a whistle blower policy and has established necessary vigil mechanism as defined under Regulation 22 of the Listing Regulations and section 177 of the Companies Act, 2013 for the Directors and Employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethical policy. The policy provides for adequate safeguards against victimisation of employees who avail of the mechanism. During the year under review, no personnel was denied access to the Audit Committee. The policy is posted on the website of the Company at www.pitti.in.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an effective internal control and risk-mitigation system, which are constantly assessed and strengthened with new / revised standard operating procedures. The Company's internal control system is commensurate with its size, scale and complexities of its operations. The internal audit is entrusted to M/s. SVD & Associates, Chartered Accountants. The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to

strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

Further, the Statutory Auditors of the Company have also issued an attestation report on internal control over financial reporting (as defined in section 143 of Companies Act, 2013) for the financial year ended 31st March, 2018, which forms part to the Statutory Auditors Report.

RISK MANAGEMENT

Risk management is embedded in your Company's operating framework. Your Company believes that managing risks help in maximizing returns. The Company's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The risk management framework is periodically reviewed by the Board and the Audit Committee.

However, some of the risks which may pose challenges are set out in the Management and Discussion Analysis which forms an integral part of this report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a part of its initiative under the Corporate Social Responsibility (CSR) drive, the Company has undertaken projects in the areas of urban and rural development, welfare activities, women empowerment eradicating hunger, promoting health care and education. These projects are in accordance with Schedule VII of the Companies Act, 2013 and the Company's CSR policy. The report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as Annexure-3 and forms an integral part of this report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY

During the year under review, the Company has not given any loans,

provided any guarantees nor made any investments.

RELATED PARTY TRANSACTIONS

All transactions entered into with related parties for the year under review were on arm's length basis and in the ordinary course of business and is in accordance with the provisions of the Companies Act, 2013 and the Listing Regulations. Further there were transactions with related parties which qualify as material transactions under the Listing Regulations for which approval of members is being sought in the ensuing Annual General Meeting. The information on transactions with related parties is given in Annexure-4 in Form No. AOC-2 and the same forms part of this report.

All related party transactions are placed before the Audit Committee and omnibus approval is obtained for transactions which are of repetitive nature.

The policy on related party transactions as approved by the Board of Directors has been uploaded on the website of the Company www.pitti.in.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT-9, as required under section 92 of the Companies Act, 2013 is annexed as Annexure-5 and forms an integral part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report on the operations of the Company as required under Listing Regulations is provided in a separate section and forms an integral part of this Report.

CORPORATE GOVERNANCE

As per Regulation 34 (3) read with Schedule V of the Listing Regulations, a detailed report on corporate governance, together with a certificate from the Company's Auditors confirming compliance forms an integral part of this Report.

DIRECTORS' REPORT

AUDITORS AND AUDITOR'S REPORT

Statutory Auditors

M/s. Laxminiwas & Co, Chartered Accountants were appointed as Statutory Auditors of the Company at the Annual General Meeting held on 6th September, 2017 for a term of five consecutive years, subject to ratification by the members at every Annual General Meeting (AGM). Pursuant to the notification dated 7th May, 2018 issued by Ministry of Corporate Affairs, the requirement of seeking ratification of appointment of statutory auditors by members at each AGM has been done away with. Accordingly, no such item has been considered in notice of the 34th AGM.

M/s. Laxminiwas & Co, Chartered Accountants have confirmed that they are not disqualified from continuing as Auditors of the Company.

The Notes on financial statement referred to in the Auditor's Report are self-

explanatory and do not call for any further comments. The Auditor's Report does not contain any qualification, reservation, adverse remark or disclaimer.

Cost Auditors

The Board of Directors, on the recommendation of Audit Committee has appointed M/s. S S Zanwar & Associates, Cost Accountants (Firm Registration No.100283) as the Cost Auditors to audit the cost accounts of the Company for the financial year 2018-19. As required under the Companies Act, 2013 a resolution seeking member's ratification for the remuneration payable to the cost auditor forms part of the notice convening the 34th AGM.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Board has appointed Shri Ajay Kishen, Practising Company Secretary (CP. No. 5146) to conduct Secretarial Audit for the Financial Year 2017-18. The Secretarial Audit

Report for the financial year ended 31st March, 2018 is annexed to this Report. The Secretarial Audit Report does not contain any qualification, reservation, adverse remark or disclaimer.

CAUTIONARY STATEMENT

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The Board of Directors would like to express their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review.

For and on behalf of the Board of Directors

Sharad B Pitti

Chairman & Managing Director

DIN: 00078716

Place : Hyderabad

Date : 13th August, 2018