

Directors' Report

Dear Members,

Your Directors are pleased to present the 40th Annual Report on the business and operations of the Company together with the Audited Financial Statements (Standalone and Consolidated) for the year ended 31st March 2024.

Business Overview

Pitti Engineering Limited is engaged in the manufacture of engineering products of iron and steel including electrical steel laminations, sub-assemblies for motor & generator cores, die-cast rotors and machined casted & fabricated parts and shafts. The Company supplies a range of engineering products to vastly diversified segments like hydro and thermal generation, windmill, mining, cement, steel, sugar, construction, lift irrigation, freight rail, passenger rail, mass urban transport, E-mobility, appliances, medical equipment, oil & gas and several other Industrial applications. Our products finds a suitable application in almost all engineering application.

Financial Results

The standalone financial performance of your Company for the year ended 31st March 2024 is summarised below:

| Particulars | ₹ in lakhs | |
|---|--------------------|--------------------|
| | 2023-24 | 2022-23 |
| Net Revenue from Operations | 1,20,159.64 | 1,10,017.15 |
| Other Income | 4,820.89 | 1,781.83 |
| Total Income | 1,24,980.53 | 1,11,798.98 |
| Profit before Finance Costs, Depreciation, Amortisation and Tax | 22,592.49 | 16,920.98 |
| Less : Finance costs | 4,999.29 | 4,465.78 |
| Profit before Depreciation, Amortization and Tax | 17,593.20 | 12,455.20 |
| Less : Depreciation & Amortisation | 5,401.91 | 4,464.97 |
| Profit before Tax | 12,191.29 | 7,990.23 |
| Less : Tax expenses | 3,171.54 | 2,106.95 |
| Profit after Tax | 9,019.75 | 5,883.28 |
| Add : Other comprehensive income | (415.64) | (118.40) |
| Total comprehensive income for the year | 8,604.11 | 5,764.88 |
| Add : Surplus at the beginning of the year | 22,948.81 | 17,937.11 |
| Less : Dividend | 384.60 | 753.18 |
| Less : Transfer to General reserve | - | - |
| Surplus carried to Balance sheet | 31,168.32 | 22,948.81 |

Operating Results and Business

India is presently the world's fifth-largest economy and is poised to become the fastest-growing G20 economy in 2024. Your company has strategically capitalised on this economic growth by applying its engineering and manufacturing expertise to create innovative products for a variety of industries. As a leading engineering firm, your company specialises in producing value-added and assembled components through advanced machining and lamination processes for both domestic and international markets. With robust order inflows, your company recorded 42,305 MT for FY 2024.

During the year your company reached significant milestones and demonstrated robust performance across its business segments. Key achievements included expanding manufacturing capabilities, enhancing technological expertise

and adopting sustainability practices. The total income for the financial year 2023- 24 was ₹ 1249.81 Crore as against ₹ 1117.98 Crore in the previous year. The total debt as on 31st March 2024 was ₹ 537.48 Crore which includes ₹ 262.94 Crore long-term debt and ₹ 274.54 Crore of short-term debt (accrued interest included). Cash and cash equivalents and other bank balances at the year-end was ₹ 109.40 Crore resulting in a net debt position of ₹ 428.08 Crore. Your company continued to maintain a conservative leverage profile with a total debt to equity ratio of 1.29.

Subsidiaries, Associates and Joint Ventures

There were no significant operations carried out in Pitti Rail and Engineering Components Limited a Wholly Owned Subsidiary (WoS) during the year ended 31st March 2024.

Your Company does not have any joint venture or associate companies. There has been no material change in the nature of business of the subsidiary. A report on the performance and financial position of the subsidiary, set out in the prescribed form AOC-1 in terms of proviso to Section 129 (3) of the Companies Act, 2013 is provided as Annexure to the consolidated financial statements and hence not repeated here.

Scheme of Amalgamation

The Board of Directors of the Company at its meeting held on 15th June 2023 based on the recommendations of the Audit Committee and the Committee of Independent Directors, has considered and approved the scheme of amalgamation amongst Pitti Castings Private Limited (PCPL) and Pitti Rail and Engineering Components Limited (PRECL) and the Company and their respective shareholders and creditors, under Sections 230 to 232 of the Companies Act, 2013.

Rationale for the Scheme

The Company had acquired shares in PCPL originally with an objective to ensure vertical integration of businesses which would provide increased opportunities and better margins to the Company. However, due to operational and financial reasons, the Company could not complete the consolidation historically. With a view to now achieve vertical integration and broaden its footprint across the supply chain, the Company has strategically decided to integrate the Castings Business with its operations which will result in the following synergies (i) Enhance the Company's control over the supply and inventory management of its raw materials by a unified approach on supply chain management and consequent synergies leading to optimization of resource utilization, reduced finance cost, operational cost, reduced duplication of administrative efforts and better procurement policies and prices, for the combined business. (ii) Allow the Company to gain access to long-term contracts by bolstering an entire integrated process helping them cover the end-to-end supply chain. (iii) Enhance the Company's margins and profitability and reduction in related party transactions of the Company which would enhance value for all its stakeholders. (iv) Help the Company to diversify its business and provide the Company with access to a new set of customers and industries.

PRECL was incorporated as a Wholly Owned Subsidiary of the Company for the purpose of undertaking a greenfield project in relation to the manufacture of railway and engineering components. Since the Company has undertaken the said business through Brown field project, there is no longer need of a separate corporate entity. The Scheme is expected to provide the following benefits (i) The amalgamation will result in simplifying the corporate structure and elimination of duplication in administrative cost and multiple record keeping thus resulting in cost savings.

Consideration

There is no cash consideration involved in the Scheme. The equity shares to be allotted by the Company in consideration of the amalgamation is based on the registered valuers report

dated 15th June, 2023, issued jointly by Mr. Niranjana Kumar, and SSPA & Co., Chartered Accountants. Keynote Financial Services Limited, an Independent SEBI registered Category-I Merchant Banker has provided its opinion on the fairness of Share Exchange Ratio as recommended in the Valuation Report.

Share Exchange Ratio: 01 (One) equity share of Pitti Engineering Limited of ₹ 5/- each, fully paid-up for every 55 (Fifty-Five) equity shares of PCPL of ₹ 10 /- each, fully paid-up.

The consideration for the Scheme shall be discharged on an "arm's length" basis. The transaction is a related party transaction, and is exempted from separate approval requirements under Section 188 of the Companies Act, 2013. The equity and preference shares held by the Company in PCPL would get cancelled upon amalgamation. PRECL is a wholly owned subsidiary of the Company. Hence, all the equity shares issued by PRECL to the Company and/ or its nominees shall stand cancelled and extinguished upon amalgamation.

Current Status

The Company had filed the Scheme with Stock Exchanges on 26th June 2023 and received their no objection on 26th October 2023. Further, the Company has received approval from the shareholders and creditors pursuant to a National Company Law Tribunal (NCLT) convened meeting on 22nd March 2024. A joint petition has been filed with the NCLT, Hyderabad bench on 29th March 2024 and the same was reserved for hearing on 7th June 2024. The Scheme would become effective from the appointed date (1st April 2023) after receipt of all requisite approvals as mentioned in the Scheme.

The Scheme of Amalgamation and other relevant documents are available on the website of the Company at https://www.pitti.in/investor_desk/investors_soa.php

Acquisitions

The Board of Directors of the Company at its meeting held on 11th March 2024 approved the secondary acquisition of 100% of the equity share capital of Bagadia Chaitra Industries Private Limited (BCIPL) and authorized its officials to finalize and execute share purchase agreements/ binding agreements. The cost of acquisition was to be arrived at, by adjusting the Enterprise Value of ₹ 124.92 crores for the net debt and working capital changes on the closing date and was subject to other adjustments as mutually agreed between the parties. The Company had completed the acquisition of 100% of the equity share capital of BCIPL from the existing shareholders on 6th May 2024 and effective from the said date BCIPL has become a wholly owned subsidiary of the Company.

Consolidated Financial Statements

The Audited Consolidated Financial Statements of the Company as on 31st March 2024, which forms part of this Annual Report, have been prepared pursuant to the provisions of SEBI Listing Regulations and applicable Indian Accounting Standard (IndAS) on Consolidated Financial Statements (IndAS-110) as notified by the Ministry of Corporate Affairs.

The annual accounts of the subsidiary company are kept for inspection by any member at the Registered Office of the Company as well as at the Registered Office of the subsidiary company and also available on the website of the Company www.pitti.in. Any member interested in a copy of the accounts of the subsidiary may write to the Company Secretary at the Registered Office of the Company.

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 has been no change in the nature of business of the Company.

Transfer to Reserves

The Company has not transferred any amount to the General Reserve out of the amount available for appropriation during the financial year ended 31st March 2024.

Dividend

Your Directors are pleased to recommend a final dividend of ₹ 1.50/- (30%) per equity share of face value of ₹ 5/- each for the financial year ended 31st March 2024, subject to the approval of members. The final dividend, if declared by the members at the ensuing 40th Annual General Meeting will be paid within 30 days from the conclusion of 40th AGM subject to deduction of tax at source as applicable to the members whose names appear on the Company's register of members as on Friday, 13th September 2024 and in respect of the shares held in dematerialised mode to the members whose names are furnished by the National Securities Depository Limited and Central Depository Services Limited as beneficial owners as on that date.

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Dividend distribution policy is available on the Company's website at <https://www.pitti.in/investordesk/Docs/Client/CLT1/Dividend%20distribution%20policy.pdf>

Share Capital

During the year under review there has been no change in the authorised and paid-up share capital of the Company. The Company has not issued shares with differential voting rights, employee stock options and sweat equity shares.

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).

Pursuant to Rule 2(c) (viii) of the Companies (Acceptance of Deposits) Rules, 2014, the Company has received unsecured

loans from its Directors. The details of which are provided in the Financial Statement and under transactions with related parties which forms part of this report.

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.

There are no proceeding pending under the Insolvency and Bankruptcy Code, 2016 and there are no instances of onetime settlement with any Bank or Financial Institution.

Director's & Key Managerial Personnel

During the year under review Shri Y B Sahgal was appointed as Independent Director w.e.f 9th November 2023.

With effect from 15th May 2024, Shri Sharad B Pitti, Chairman & Managing Director and Shri Akshay S Pitti, Vice-Chairman & Managing Director were re-designated as Founder & Chairman and Managing Director & Chief Executive Officer respectively.

In accordance with the provisions of Section 152 of the Companies Act, 2013 Shri Akshay S Pitti, Managing Director & Chief Executive Officer retires by rotation and being eligible offers himself for re-appointment.

The details of the Director seeking re-appointment including appointment of Independent Directors of the Company will be provided in the notice convening the 40th Annual General Meeting of the Company.

None of the Directors of the Company are disqualified under the provisions of the Companies Act, 2013 and SEBI Listing Regulations, 2015. The certificate of non-disqualification of Directors pursuant to SEBI Listing Regulation is annexed to this Report.

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 (1) (b) of the SEBI Listing Regulations and that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge duties with an objective independent judgment and without any external influence. In the opinion of the Board, all Independent Directors are independent of the management.

In terms of Section 150 of the Companies Act, 2013 read with Rule 6 of the Companies (Appointment and Qualification of

Directors) Rules, 2014, all the Independent Directors of the Company have registered themselves with the databank maintained by the Indian Institute of Corporate Affairs. Further all Independent Directors are exempted from the requirement to undertake online proficiency self-assessment test as required under the said rules.

The following are the Key Managerial Personnel of the Company as on the date of this report.

Shri Sharad B Pitti, Founder & Chairman, Shri Akshay S Pitti, Managing Director & Chief Executive Officer, Shri M Pavan Kumar, Chief Financial Officer and Ms. Mary Monica Braganza, Company Secretary & Chief Compliance Officer.

Meetings of the Board

Six 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 Board committees, 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 SEBI Listing Regulations, the Board has carried out the annual evaluation of the Directors as well as the evaluation of the Board and its Committees. The performance evaluation of the Independent Directors was carried out by the entire Board, except the Director being evaluated. The performance evaluation of the Founder & Chairman and the Managing Director & Chief Executive Officer was carried out by the Independent Directors. The process was carried out by circulating questionnaires on the functioning of the Board, its Committees and Individual Directors on parameters approved by the Nomination and Remuneration Committee.

As an outcome of the above exercise, it was noted that the Directors come from different backgrounds with varied administrative, financial, legal, banking and corporate experience. They bring together a good blend of knowledge, relevant skills, experience. The Board has functioned as a cohesive body and has guided the management. It has effectively monitored both the progress and quality of work with appropriate risk management measures. It has ensured compliance with legal, regulatory and good governance norms. It was also noted that the Committees of the Board are functioning well, and satisfaction was expressed on the performance of Independent Directors and the Executive Directors of the Company.

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.

The statement containing particulars of employees as prescribed under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. However, as per the provisions of Section 136(1) of the Act, the annual report is being sent to all the members excluding the aforesaid statement. The statement 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 2024, 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 2024 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

The Company enjoyed cordial relations with its employees during the year under review. Your Company has always considered its workforce and their skills as its valuable asset and continues to enhance their performance with emphasis on aligning it with the changing business requirements. The periodical trainings, incentives, increments and other welfare measures ensure healthy industrial relations. The total number of employees on rolls as on 31st March 2024 was 1502.

Prevention of Sexual Harassment

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. The Company has complied with the provisions relating to the constitution of internal complaints committee under the Sexual Harassment of Women at Work Place (Prevention Prohibition and Redressal) Act 2013.

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 SEBI Listing Regulations and section 177 of the Companies Act, 2013 for stakeholders including 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 victimization 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:

[https://www.pitti.in/investordesk/Docs/Client/CLT1/Whistle%20Blower%20Policy%20%20Vigil%20Mechanism%20Policy%20\(Effective%20from%20April%201,%202019\).pdf](https://www.pitti.in/investordesk/Docs/Client/CLT1/Whistle%20Blower%20Policy%20%20Vigil%20Mechanism%20Policy%20(Effective%20from%20April%201,%202019).pdf)

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. Laxminiwas & Co, 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 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 2024, 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 has an elaborate risk management framework in place, which helps in identifying the risks and proper mitigation thereof and lays down the procedure for risk assessment and its mitigation through a Risk Management Committee. The risk management framework is periodically reviewed by the Board and the Audit Committee. The major risks which may pose challenges are set out in the Management Discussion and Analysis which forms an integral part of this report.

The Company has constituted a Risk Management Committee, details of the same are set out in the Corporate Governance Report. A Risk Management Policy has been formulated and adopted pursuant to the applicable provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Corporate Social Responsibility

As per the provisions of section 135 of the Companies Act, 2013 the mandated spend on CSR activities for the financial year 2023-24 is ₹ 130.63 lakhs. During the year under review, your Company has spent ₹ 131 lakhs on CSR activities.

The Annual report on CSR activities as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 read with section 134(3) and 135(2) of the Companies Act, 2013, as amended, has been annexed as Annexure-3 and forms an integral part of this report.

The policy for Corporate Social Responsibility is available on the website of the Company, [https://www.pitti.in/investordesk/Docs/Client/CLT1/fy2022/CSR%20Policy%20\(Effective%20from%20April%201,%202021\).pdf](https://www.pitti.in/investordesk/Docs/Client/CLT1/fy2022/CSR%20Policy%20(Effective%20from%20April%201,%202021).pdf)

Particulars of Loans, Guarantees and Investments

The Company has not given any loans, guarantees or security in connection with loans or made any investments during the year under review.

Related Party Transactions

All transactions entered with related parties during 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 SEBI Listing Regulations. The material related party transactions entered by the Company are made with the approval of the Members. 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 at [https://www.pitti.in/investordesk/Docs/Client/CLT1/Policy%20on%20Related%20Party%20Transaction%20\(Effective%20from%20April%201,%202022\).pdf](https://www.pitti.in/investordesk/Docs/Client/CLT1/Policy%20on%20Related%20Party%20Transaction%20(Effective%20from%20April%201,%202022).pdf)

Extract of Annual Return

Pursuant to the provisions of Section 92(3) and Section 134(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 as amended, the Annual Return of the Company as on 31st March 2024 is available on the website of the Company at <https://www.pitti.in/investordesk/Docs/Client/CLT1/fy2024/Annual%20Return%20FY%202023-24.pdf>.

Secretarial Standards

During the year under review, your Company has complied with all the applicable secretarial standards. The same has also been confirmed by Secretarial Auditors of the Company.

Management Discussion and Analysis

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

Business Responsibility and Sustainability report

The Business Responsibility and Sustainability Report as stipulated under Regulation 34 (2)(f) of the SEBI Listing Regulations is applicable to your Company and the same forms an integral part of this Report.

Corporate Governance Report

As per Regulation 34(3) read with Schedule V of the SEBI 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.

Auditors and Auditor's Report

Statutory Auditors

In terms of Section 139 of the Companies Act, 2013 and the rules made thereunder Talati & Talati LLP, Chartered Accountants, (ICAI Firm Registration Number.110758W/W100377) were appointed as Statutory Auditors of the Company for a term of five consecutive years to hold office from conclusion of 38th Annual General Meeting ("AGM") till the conclusion of the 43rd AGM of the Company.

The notes on the 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.

The Statutory Auditors of the Company have not reported any fraud under Section 143(12) of the Companies Act, 2013.

Cost Auditors

The Company is required to maintain cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013 and accordingly such accounts and records are maintained by the Company.

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 2024-25. 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 40th 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, Practicing Company Secretary (CP. No. 5146) to conduct Secretarial Audit for the Financial Year 2023-24. The Secretarial Audit Report for the financial year ended 31st March 2024 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 wish to place on record their appreciation for the dedicated service and contribution made by the employees of the Company at all levels. Your Directors would also like to place on record their appreciation for the continued co-operation and support received by the Company during the year from its customers, suppliers, bankers, financial institutions, government authorities, business partners and other stakeholders.

For and on behalf of the Board of Directors

Sharad B Pitti

Place : Hyderabad
Date : 15th May 2024

Founder & Chairman
DIN: 00078716

Annexure to the Directors' Report

[Pursuant to Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

A. Conservation of Energy

i. Steps taken or impact on conservation of energy

Installation of energy-efficient machinery, LED lighting, HVAC systems and appliances to reduce energy consumption.

Implementation of advanced energy monitoring and control systems to optimize energy usage and minimise wastage.

Use of high-quality insulation materials, energy-efficient windows and building materials to minimize heat loss /gain thereby reducing the need for heating or cooling.

Deployment of automation systems and smart controls for lighting, HVAC, and other energy-intensive processes, ensuring they operate only when needed.

ii. Steps taken by the Company for utilising alternate sources of energy

The 1 MW solar plant installed at the Aurangabad facility has resulted in reduction of carbon emissions by 1,162 MT Co2e during the year 2023-24. Solar energy solutions is a significant step toward sustainable and clean energy generation.

Transition from fuel vehicles to electric vehicles (16 Nos) for daily use thereby helping reduction in carbon footprint and promoting sustainability.

iii. Capital investment on energy conservation equipment ₹ 313.73 lakhs

B. Technology Absorption

i. Efforts made towards technology absorption

Nil

ii. Benefits derived like product improvement, cost reduction, product development or import substitution

Nil

iii. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)

| | | |
|----|---|--|
| a. | the details of technology imported: | High speed notching machines with robotic loader and unloader; High-speed blacking line and presses. |
| b. | the year of import: | 2023-24 |
| c. | whether the technology been fully absorbed: | Yes |
| d. | if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: | Not applicable |

iv. The expenditure incurred on Research and Development:

Nil

C. Foreign exchange earnings and outgo

| | ₹ in lakhs | |
|---------------------------------|------------|-----------|
| Particulars | 2023-24 | 2022-23 |
| Foreign exchange earnings | 44,347.70 | 37,166.63 |
| CIF Value of imports | 7,181.48 | 8,629.71 |
| Expenditure in foreign currency | 489.00 | 402.11 |

For and on behalf of the Board of Directors

Sharad B Pitti

Place : Hyderabad

Founder & Chairman

Date : 15th May 2024

DIN: 00078716

Annexure-2

Particulars of Remuneration

[Pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

1. The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year and percentage increase in the remuneration of each Director, Chief Financial Officer, Company Secretary or Manager, if any, in the financial year

| Name and Designation | Ratio of Remuneration to the median remuneration of the employees | Percentage increase in the remuneration |
|---|---|---|
| Shri Sharad B Pitti, Founder & Chairman | 28.87 : 1 | Nil |
| Shri Akshay S Pitti, Managing Director & Chief Executive Officer | 28.87 : 1 | Nil |
| Shri M Pavan Kumar Chief Financial Officer | 16.88 : 1 | 48.19% |
| Ms. Mary Monica Braganza, Company Secretary & Chief Compliance officer | 13.81 : 1 | 53.66% |

The Non-Executive Directors of the Company are entitled to sitting fees as approved by the Board, hence the ratio of remuneration and percentage increase for Non-Executive Directors remuneration is not stated.

2. Percentage increase in the median remuneration of employees in the financial year was 10.52%.
3. Number of permanent employees on the rolls of the Company: There were 1,502 employees on the rolls as on 31st March 2024.
4. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.

The average percentage increase in the salaries of employees other than the managerial personnel in the financial year 2023-24 is 11.07%. There has been no increase in the remuneration of managerial personnel for the financial year ended 31st March 2024.

5. Affirmation that the remuneration is as per the remuneration policy of the Company.

The Company affirms that the remuneration is as per the remuneration policy of the Company.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 15th May 2024

Sharad B Pitti
Founder & Chairman
DIN: 00078716

Annual report on Corporate Social Responsibility Activities

[Pursuant to the Companies (Corporate Social Responsibility) Amendment Rules, 2022]

1. Brief outline on CSR Policy of the Company

Social and environmental responsibility has always been at the forefront of our operating philosophy and the Company has consistently contributed to socially responsible activities. CSR portrays the deep symbiotic relationship that the Company enjoys with the communities it is engaged with.

The Company's CSR Policy is in alignment with the provisions of the Companies Act, 2013. The activities undertaken include projects in urban and rural development, protection of national heritage, art and culture, welfare activities, women empowerment, eradicating hunger, promoting health care and education.

2. Composition of CSR Committee

| Sl. No. | Name of Director | Designation / Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|---------------------|---|--|--|
| 1. | Shri Sharad B Pitti | Chairman, Executive Director | 1 | Nil |
| 2. | Shri Akshay S Pitti | Member, Executive Director | 1 | 1 |
| 3. | Shri G Vijaya Kumar | Member, Independent, Non-Executive Director | 1 | 1 |

3. Provide the web-link(s) where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company.

The weblinks are as follows:

Composition of CSR Committee

<https://www.pitti.in/investordesk/Docs/Client/CLT1/fy2023/Composition%20of%20Board%20Committees.pdf>

CSR Policy

[https://www.pitti.in/investordesk/Docs/Client/CLT1/fy2022/CSR%20Policy%20\(Effective%20from%20April%201,%202021\).pdf](https://www.pitti.in/investordesk/Docs/Client/CLT1/fy2022/CSR%20Policy%20(Effective%20from%20April%201,%202021).pdf)

CSR Projects

<https://www.pitti.in/investordesk/Docs/Client/CLT1/CSR%20Annual%20Action%20Plan%20%E2%80%93%20FY%202023-24.pdf>

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule(3) of rule 8, if applicable.

Not applicable. The Company does not have an average CSR obligation of ₹ 10 Crores or more in the 3 immediately preceding financial years as specified in Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

| 5. | ₹ in lakhs |
|---|------------|
| (a) Average net profit of the Company as per sub-section (5) of section 135 | 6531.23 |
| (b) Two percent of average net profit of the Company as per sub-section (5) of section 135 | 130.63 |
| (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years | Nil |
| (d) Amount required to be set-off for the financial year, if any | Nil |
| (e) Total CSR obligation for the financial year [(b)+(c)-(d)] | 130.63 |

6.

₹ in lakhs

- (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project) 131.00
- (b) Amount spent in Administrative Overheads Nil
- (c) Amount spent on Impact Assessment, if applicable Nil
- (d) Total amount spent for the Financial Year [(a)+(b)+(c)] 131.00
- (e) CSR amount spent or unspent for the Financial Year:

| Total Amount Spent for the Financial Year | Amount Unspent (₹ in lakhs) | | | | |
|---|---|------------------|---|--------|------------------|
| | Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135 | | Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135 | | |
| | Amount | Date of transfer | Name of the Fund | Amount | Date of transfer |
| 131 | NIL | NIL | NIL | NIL | NIL |

- (f) Excess amount for set-off, if any:

| Sl. No. | Particular | Amount ₹ in lakhs |
|---------|---|----------------------|
| (1) | (2) | (3) |
| (i) | Two percent of average net profit of the Company as per sub-section (5) of section 135 | 130.63 |
| (ii) | Total amount spent for the Financial Year* | 131.70 |
| (iii) | Excess amount spent for the Financial Year [(ii)-(i)] | 1.07 |
| (iv) | Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any | Nil |
| (v) | Amount available for set off in succeeding Financial Years [(iii)-(iv)] | 1.07 |

* Includes excess amount of Rs. 0.70 lakhs spent in financial year 2022-23 and available for set off in financial year 2023-24

7. Details of Unspent Corporate Social Responsibility amount for the preceding three financial years:

| Sl. No. | Preceding Financial Year(s) | Amount transferred to Unspent CSR Account under sub-section (6) of section 135 | Balance amount in unspent CSR account under sub-section (6) of section 135 | Amount spent in the reporting financial year | Amount transferred to a fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any | | Amount remaining to be spent in succeeding financial years. | Deficiency, if any |
|---------|-----------------------------|--|--|--|--|------------------|---|--------------------|
| | | | | | Amount | Date of transfer | | |
| | | | | | | | | Nil |

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

No

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of Section 135

Not applicable

Sharad B Pitti

Founder & Chairman

Chairman - CSR Committee

DIN: 00078716

Place : Hyderabad

Date : 15th May 2024

FORM NO. AOC-2

Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis.

There were no contracts or arrangements or transactions entered into during the year ended 31st March 2024 which were not at arm's length basis.

2. Details of material contracts or arrangements or transactions at arm's length basis.

The details of contracts or arrangements or transactions at arm's length basis for the year ended 31st March, 2024 are given below:-

| Name of the related party and nature of relationship | Nature of contracts / arrangements | Duration of the contract / arrangements / transactions and salient terms | Amount ₹ in lakhs |
|---|--|--|----------------------|
| Shri Sharad B Pitti Founder & Chairman (KMP) | Lease rentals paid for office and factory premises | Ongoing [Lease of Office premise for a period of 20 years from 1st April 2018, Plant II for a period of 10 years from 1st November 2016 and Plant IV for a period of 30 years from 1st November 2016. The lease rentals are at arms length] | 110.88 |
| Smt Madhuri S Pitti Spouse of Shri Sharad B Pitti | | | 204.30 |
| Pitti Castings Private Limited Enterprise over which KMP or relative of KMP having significant influence | Purchase and Sale of goods & services | Ongoing [Purchase and sale of goods & services at arm's length. Advance, if any as per terms of contract are adjusted against the invoice.] | 13962.04 |
| Pitti Electrical Equipment Private Limited Entity having significant influence over the entity | Purchase and Sale of goods & services | Ongoing [Purchase of goods & services at arm's length. Advance, if any as per terms of contract are adjusted against the invoice.] | 31.89 |
| Pitti Trade and Investment Private Limited Enterprise over which KMP or relative of KMP having significant influence | Rental Income | Ongoing [Sublease of office premise for a period of 19 years from 21st June 2019, the lease rentals are at arms length] | 1.74 |
| Pitti Rail and Engineering Components Limited Wholly Owned Subsidiary | Investment | Investment in the equity shares of Wholly owned subsidiary | 5.00 |
| Pitti Electrical Equipment Private Limited Entity having significant influence over the entity | Interest on Inter corporate deposits | Ongoing [Availing of unsecured loan/borrowings/advances for principal business activities of the company on such terms and conditions as may be agreed such that the interest rate is not exceeding the rate charged by the lead consortium banker of the Company and the terms are in compliance with the loan covenants of the facility agreements] | 212.04 |
| Smt Radhika A Pitti Spouse of Shri Akshay S Pitti | Remuneration | Ongoing [As per terms of employment] | 15.25 |

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 15th May 2024

Sharad B Pitti
Founder & Chairman
DIN: 00078716

Secretarial Audit Report

For The Financial Year Ended on 31st March 2024

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
Pitti Engineering Limited
Hyderabad

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Pitti Engineering Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2024, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2024 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.;
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- d) The Securities and Exchange Board of India (Share based Employee Benefits and Sweat Equity) Regulations, 2021; [Not applicable to the company during the Audit period];
- e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; [Not applicable to the company during the Audit period];
- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; [Not applicable to the company during the Audit period];
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; [Not applicable to the company during the Audit period];
- i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vi) The other laws, as informed and certified by the management of the Company which are specifically applicable to the Company are:
 1. Factories Act, 1948,
 2. Payment of Wages Act, 1936, and rules made thereunder,
 3. The Minimum Wages Act, 1948, and rules made thereunder,
 4. Employee's State Insurance Act, 1948, and rules made thereunder,
 5. The Employee's Provident Fund and Miscellaneous Provisions Act, 1952, and rules made thereunder,

6. The Payment of Bonus Act, 1965, and rules made thereunder,
7. Payment of Gratuity Act, 1972, and rules made thereunder,
8. The Water (Prevention & Control of Pollution) Act, 1974, read with Water (Prevention & Control of Pollution) Rules, 1975,
9. Industrial Disputes Act, 1947,
10. The Air (Prevention and Control of Pollution) Act, 1981,
11. The Environment (Protection) Act, 1986,
12. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008,
13. Contract Labour (Regulation and Abolition Act), 1970,
14. Maternity Benefit Act, 1961
15. Child Labour (Prohibition and Regulation) Act, 1986,
16. Industrial Employment (Standing Orders) Act, 1946,
17. Employee's Compensation Act, 1976
18. Equal Remuneration Act, 1976,
19. Employment Exchange (Compulsory Notification of Vacancies) Act, 1959,

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above.

I further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The Changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and Listing Regulations.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice.

As per the minutes, the decisions at the Board Meetings were taken unanimously.

I further report that during the audit period under review the Company had :

- 1) Obtained the approval of the Board of Directors at their meeting held on 15th June 2023 for the Scheme of Amalgamation amongst Pitti Castings Private Limited ("Amalgamating Company 1") and Pitti Rail and Engineering Components Limited ("Amalgamating Company 2") and Pitti Engineering Limited ("Amalgamated Company")
- 2) Obtained the approval of shareholders of the Company by way of postal ballot on 9th November 2023 for the appointment of Mr. Yogender Bahadur Sahgal [DIN:01622420] as an Independent Director.
- 3) Obtained the approval of the Board of Directors at their meeting held on 11th March 2024 for the secondary acquisition of 100% of the equity share capital of Bagadia Chaitra Industries Private Limited and authorized its officials to finalise and execute share purchase agreements / binding agreements.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period of the Company no events occurred which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

Ajay Kishen

Practicing Company Secretary

Place: Hyderabad

M.No: 6298 CP:5146

Date: 15th May 2024

UDIN: F006298F000376437

Note: This report is to be read with my letter of even date which is annexed as '**ANNEXURE A**' and forms an integral part of this report.

'ANNEXURE A'

To,
The Members,
Pitti Engineering Limited
Hyderabad

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Hyderabad
Date: 15th May 2024

Ajay Kishen
Practicing Company Secretary
M.No: 6298 CP:5146