

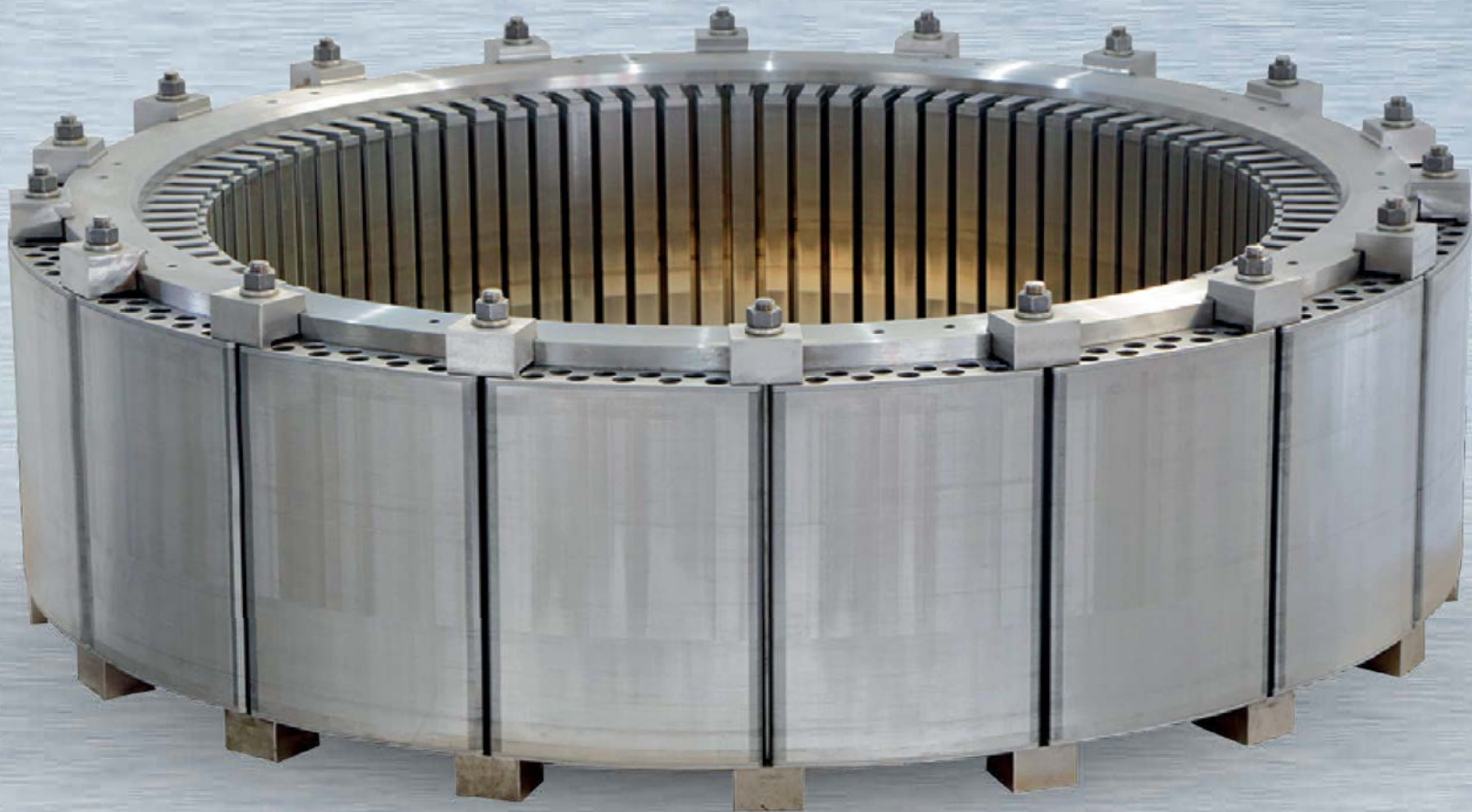
**PITTI ENGINEERING LIMITED**  
ANNUAL REPORT 2019-20



ITIT19

# Value Add

**to Add Value**



# Corporate Information

## BOARD OF DIRECTORS

### **Shri Sharad B Pitti**

Chairman & Managing Director

### **Shri Akshay S Pitti**

Vice Chairman & Managing Director

### **Shri N R Ganti**

Non-Executive Independent Director

### **Shri Gummalla Vijaya Kumar**

Non-Executive Independent Director

### **Shri M Gopalakrishna**

Non-Executive Independent Director

### **Ms. Gayathri Ramachandran**

Non-Executive Independent Director

### **Shri S Thiagarajan**

Non-Executive Independent Director

## Key Managerial Personnel

### **Shri N K Khandelwal**

President Corporate Resources & CFO

### **Ms. Mary Monica Braganza**

Company Secretary & Compliance Officer

## BANKERS

### **State Bank of India**

### **Indian Overseas Bank**

### **Kotak Mahindra Bank Limited**

### **Bandhan Bank Limited**

### **SVC Co-Operative Bank Limited**

## STATUTORY AUDITORS

### **Laxminiwas & Co,**

Chartered Accountants,  
6-3-569, IV Floor, Opp. RTA Office,  
Above BMW Showroom,  
Khairatabad, Hyderabad – 500 082

## REGISTERED OFFICE

6-3-648/401, IV Floor,  
Padmaja Landmark, Somajiguda,  
Hyderabad – 500 082



## FACTORY

### **Plant II**

Survey No. 1837 & 1838,  
Jingoniguda Road,  
Nandigaon Village & Mandal,  
Ranga Reddy District – 509 223,  
Telangana, India

### **Plant IV**

Survey No. 1837, Jingoniguda Road,  
Nandigaon Village & Mandal,  
Ranga Reddy District – 509 223,  
Telangana, India

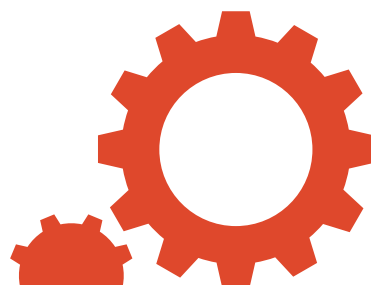
### **Aurangabad**

Gut No. 194, Limbe Jalgaon Village,  
Ganapur Mandal,  
Aurangabad District – 431 133,  
Maharashtra, India

## SHARE TRANSFER AGENT

### **XL Softech Systems Ltd.**

Plot No. 3, Sagar Society,  
Road No. 2, Banjara Hills,  
Hyderabad – 500 034



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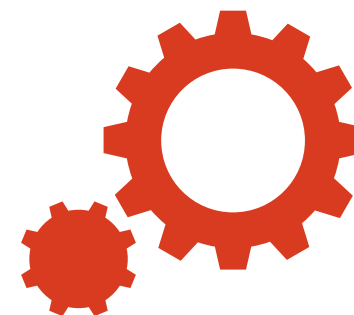
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## Forward-looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



# We are Pitti Engineering

With more than three decades of doing business we Pitti Engineering Limited have created a niche for ourselves in the manufacturing of Sheet Metal Components including Motor Cores, Sub-Assemblies, Die-Cast Rotors and Machining of Metal Components. We are the largest exporter of Electrical Laminations from our Country. Over a period of time Pitti Engineering has gained the expertise to produce complex value added assemblies.

Company has state of the art manufacturing facilities in Hyderabad and Aurangabad. As of now our current installed capacity is **36,000 MT** for sheet metal components and **2,47,600** hours for machining and are planning to expand.



## Our Products

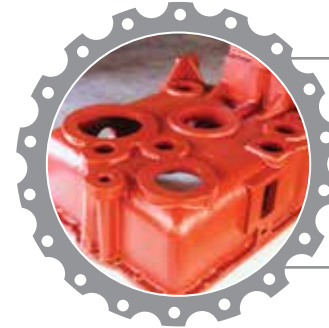
### Sheet Metal

Press Punching up to 2mm thickness;  
Laser Cut: Upto thickness 12 mm;  
Special Process: Re-coating of insulation  
layer for specialised thermal and hydel  
project requirements



### Casted Machined Components

Range of precision  
machined components (up to  
2,500x2,500x2,300 mm)



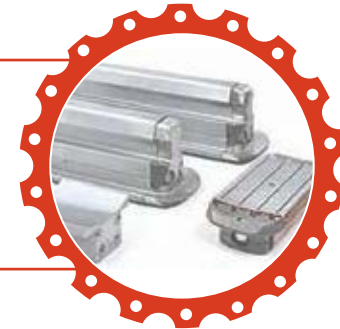
### Die-cast Rotors & Assemblies

Skew angle rotors; Die cast rotors  
Ready-to-use assembled rotor cores;  
Aluminium Shot capacity upto 160 kgs per  
shot; Riveting or bolting under hydraulic  
pressure



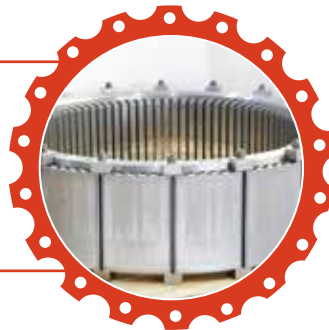
### Pole Assemblies

Assembled pole bricks



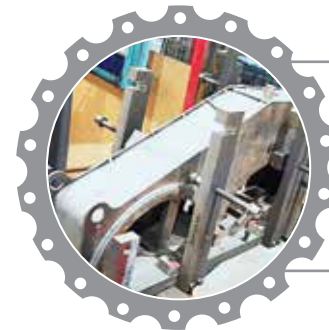
### Stator Core Assemblies

Assemblies weighing upto  
9 tons



### Fabricated Machined Components

Machined Fabricated bodies with  
core dropping of assembled cores,  
fitted with child parts



## Our Marquee Clientele

<b>ABB</b>	<b>ANDRITZ</b>	<b>Bharat Bijlee</b>	<b>APL</b>	<b>CATERPILLAR</b>	<b>G</b>	<b>Cummins</b>	<b>DOL GROUP</b> An Electrical Engineering Group	<b>GE</b>	<b>INDIA RAY</b>	<b>Ingeteam</b>	<b>JE</b>
<b>LT</b>	<b>Marathon</b>	<b>MEDHA</b>	<b>MOOG</b>	<b>Nidec</b>	<b>SIEMENS</b>	<b>SIEMENS Gamesa</b> RENEWABLE ENERGY	<b>tdps</b>	<b>TMEIC</b> We drive industry	<b>VOITH</b>	<b>Wabtec</b> CORPORATION	<b>WEG</b> Motors and Drives

# Financial Highlights

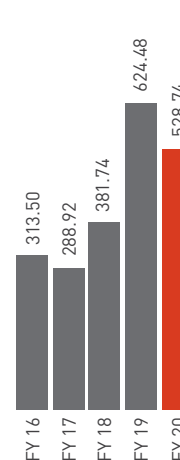
Particulars	FY 20	FY 19	FY 18	FY 18	FY16
<b>Balance Sheet and P&amp;L Highlights (₹ in crores)</b>					
		IND AS			IGAAP
Revenue (excluding taxes)	528.74	624.48	381.74	288.92	313.50
EBITDA*	77.72	90.10	54.58	33.54	19.03
Finance Cost	34.12	29.61	23.48	15.32	17.03
PBT	19.86	40.34	16.31	5.12	[11.42]
PAT	17.10	23.72	11.28	4.31	[9.56]
Total Comprehensive Income	16.84	22.87	11.54	5.40	[9.56]
Cash Accruals**	44.26	45.28	29.18	21.58	5.87
Net Worth	207.80	175.96	154.56	112.42	106.95
Debt	219.45	248.45	255.92	194.80	174.18
Net Fixed Assets	258.18	234.67	213.31	124.97	88.00
Inventory	126.50	100.27	129.16	144.97	117.57
Debtors	139.38	182.49	136.92	102.79	111.96
Cash & Bank	14.86	13.96	13.52	11.02	18.23
Total Assets	596.09	584.05	548.88	410.02	361.91
<b>Per Share Ratio (in ₹)</b>					
Earning per share (EPS)	5.41	7.67	4.22	2.00	[3.54]
Dividend per share (DPS)	-	-	-	-	-
Book Value per share (BVPS)	63.18	58.99	51.82	41.66	39.64
<b>Growth Ratio (%)</b>					
Revenue Growth	[15.33]	63.59	32.13	[7.84]	[8.53]
EBITDA Growth	[13.74]	65.08	62.73	76.25	[53.04]
PAT Growth	[27.91]	110.28	161.72	145.08	[202.47]
Total Comprehensive Income Growth	[26.37]	98.18	113.70	156.49	[202.47]
Growth in Book Value per Share	7.10	13.84	24.39	5.10	[8.77]
Inventory - Increase / (Decrease)	26.16	[22.37]	[10.91]	23.31	[10.99]
<b>Margin Ratio (%)</b>					
EBITDA Margin	14.80	14.48	14.41	11.73	6.11
PAT Margin	3.23	3.80	2.95	1.49	[3.05]
Total Comprehensive Income Margin	3.18	3.66	3.02	1.87	[3.05]
Debt - Equity Ratio (in times)	1.06	1.41	1.65	1.73	1.63

\*Profit Before Tax + Finance Cost+ Depreciation - Other Income

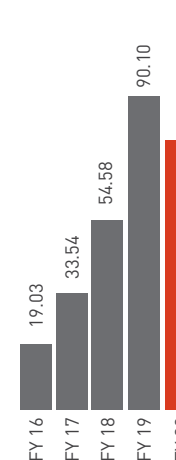
\*\* Total Comprehensive Income + Depreciation

## Key Performance Indicators

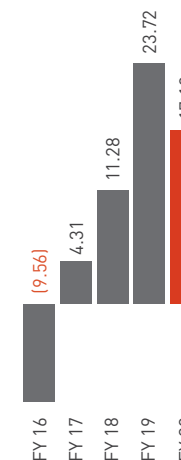
Revenue (₹ in crores)



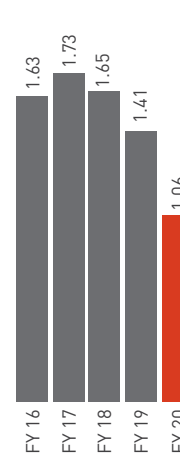
EBITDA (₹ in crores)



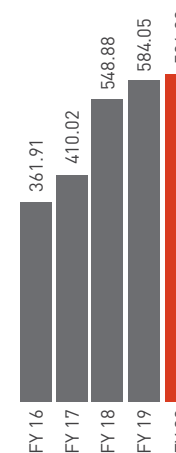
PAT (₹ in crores)



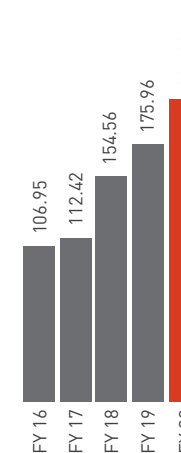
Debt Equity Ratio (in times)



Total Assets (₹ in crores)



Net Worth (₹ in crores)





# Value Add to Add Value

**The start of a new decade is coinciding with the anvil of a new manufacturing world order. The days of geographically concentrated global manufacturing are numbered. Diversification of global supply chains would reduce disproportionate manufacturing dependence on a particular country or geography. It would also unveil many new global manufacturing hubs and centers, democratize technology and capabilities and enhance competition. The customers would get more value as competing suppliers would be pushed to raise their value addition quotient.**

With new pivots of whole scale infrastructure development centered around new regions such as Asia, Africa and Latin America and new technologies such as IoT, AI, ML and green energy, the next two-three decades of this century would throw significant opportunities to the developing and emerging economies.

The world would need speedy development and loads of it. The divide between the developed and the developing and the emerging markets ought to be bridged. Mass access to energy, transportation, irrigation, consumer appliances and data security ought to be ensured. It has to be delivered in a manner that is efficient, affordable and eco friendly.

Precision engineering has a lot to deliver. It has to add more value in the products and solutions that benefit not only the customers but also the end consumers

of those engineering marvels. Geared towards environment friendly products, engineering can also address sustainable development goals of the human race.

At Pitti Engineering, we have steadily been raising our capabilities and manufacturing processes, more efficient, eco-friendly and affordable. We are doing it by way of consistent value additions across the entire engineering value chain of our operating domains. From design to prototyping to material sourcing to manufacturing to packaging and logistics - we are value adding at every single step, with man, machine, material and process.

Not surprising, global customers' confidence in our 'Made in India' precision engineered products and solutions continue to rise. Despite the Covid-19-induced disruptions impacting dispatches in the last quarter of FY20 and production

challenges in the first quarter of FY21, we continue to value add our engineering capabilities. Consequently, we reap rich dividends in terms of protecting jobs not only in our own company but also in our supplier networks. We continue to expand our residual order book, add more user segments and customers, add more processes by in-housing portions that were outsourced earlier, and continue to value engineer our manufacturing by removing redundancies and wastages.

Having closed FY20 with reduced revenues, albeit at improved profitability, we ushered into FY21 with a decision to further diversify our capabilities, further expand our capacities and further modernize our existing capacities. Besides steadily sharpening engineering capabilities, another factor driving our march forward is a deep conviction in the winning mantra of **Value Add to Add Value**.



# Chairman's Letter

## Dear Stakeholders,

As I sat to pen down this letter, I wondered which key business aspects would you like me to address first. Is it the performance review for the year gone by, the business strategy and the outlook going forward or the existential crisis that the human race is facing all over the world.



Caught clueless and unprepared, the world headed home to fight Covid-19, the most severe pandemic of the recent 100 years. Economic activities came to a grinding halt, almost instantaneously.

On the social front, nearly 20 million people have reportedly been infected while 0.75 million precious lives been lost. This is the time to show solidarity with the vulnerable ones – communities, societies, nations, regions, industries. The socio-political framework governing various nations, economic regions and multilateral organizations need to focus on two key pivots of our corporate world namely risk management and resilience. At the global and national levels, we need to create healthcare framework that is commensurate with the size of vulnerable population. Creation of structural emergency national reserves can help scale up our response, when the calamity of such magnitude strikes. That would also make nations more resilient.

Coming to our Company, we too have been steadily bolstering our risk management framework and our resilience quotient, particularly in the last four-five years. The same has helped us navigate the current disruption prudently.

Despite the temporary blip in customer supplies, we succeeded in protecting our assets, both tangible and intangible. We were able to not only resume but also ramp up production and supplies quickly, staying extra vigilant and well within stipulated norms. We witnessed early signs of additional demand, which serves as an indicator of resilience of capital goods and, in turn, the manufacturing sector across many regions of our global presence. The intense exploratory work that our teams undertook in newer user segments opened additional avenues of capacity deployment and revenues. The fiscal prudence that we kept fortifying in this period not only helped protect stakeholders' value but also lent significant strength towards our next mega Capex.

You would be happy to note our new Capex announcement towards adding another mega facility. The proposed state-of-the-art facility would further our continuing campaign of vertical integration by adding few more processes. This would help the company manufacture more components that we were sourcing from other vendors. The Capex would also help us add few dedicated lines for some of the emerging

segments. In order to avail incentives under various ongoing schemes, we are evaluating location options from couple of states. While deciding, other strategic aspects such as logistics would also be considered. The unit would imbibe multiple tenets of industry 4.0.

Looking back at FY20, we made significant progress in delivering prototypes as well as commercializing approved ones for a number of customers from new user segments. The business from traditional segments and customers remained strong. But for the delivery constraint faced in the last month (March) of FY20, our operating results would have been much better. With estimated revenue deferment of ₹ 25 crores, we closed FY20 with residual long-term order book of about ₹ 700 crores.

Our revenue from operation stood at ₹ 525.06 crore as compared with ₹ 622.21 crore recorded in FY19. EBITDA was lower at ₹ 77.72 crore, down from ₹ 90.10 crore achieved in FY19. In spite of significantly lower revenue that constrained optimal absorption of overheads, we delivered a 30 bps (basis point) improvement in EBITDA margin (14.8% from 14.5%) in FY20. Our PAT