



Pitti Engineering Limited
Annual Report 2021-22

Building with prudence

Growing scale
Diversified portfolio
Customer trust



10

Our
operations



Our
expertise

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Optimistic
Future

20

Forward-looking statements

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.



Know more about us
www.pitti.in
or scan the QR code



The salience of our brand is built upon our remarkable engineering expertise and the superior reliability of our products coupled with economies of scale derived from being one of the largest manufacturers of laminations gives us a significant edge in the market place.

Building with prudence

Growing scale
Diversified portfolio
Customer trust

The year has been a test of resilience but our grit and determination helped us register impressive growth by virtue of our strong operational efficiencies and sophisticated manufacturing facilities.

For over three decades, we have honed our skills to build a diverse portfolio of products that create unique solutions for our customers, delivering exceptional value.

The opportunity in the engineering space has just started to play out as India's manufacturing sector gears for long-term growth. Capitalising on this opportunity, we are expanding our capacities, diversifying our portfolio further and growing with customer trust.

We continue to focus on building a differentiated product basket by understanding the evolving needs of customers, thereby earning their trust and loyalty.

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Corporate Information

Board of Directors

Shri Sharad B Pitti
Chairman & Managing Director

Shri N R Ganti
Non-Executive Independent Director

Shri M Gopalakrishna
Non-Executive Independent Director

Shri S Thiagarajan
Non-Executive Independent Director

Shri Akshay S Pitti
Vice Chairman & Managing Director
and Interim CFO

Shri G Vijaya Kumar
Non-Executive Independent Director

Ms. Gayathri Ramachandran
Non-Executive Independent Director

Shri D V Aditya
Non-Executive Independent Director
w.e.f. 10th August 2022

Key Managerial Personnel

Shri N K Khandelwal
President Corporate Resources & CFO
(upto 13th April 2022)

Ms. Mary Monica Braganza
Company Secretary & Compliance Officer

Bankers

State Bank of India
Kotak Mahindra Bank Limited
Canara Bank
SVC Co-Operative Bank Limited
YES Bank Limited

Statutory Auditors

Laxminiwas & Co
Chartered Accountants,
6-3-569, IV Floor, Opp. RTA Office
Above BMW Showroom
Khairatabad, 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
Gangapur Mandal
Aurangabad District – 431 133
Maharashtra, India

Registered Office

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

Registrar and Transfer Agent

XL Softech Systems Limited
Plot No. 3, Sagar Society
Road No. 2, Banjara Hills
Hyderabad – 500 034

Board of Directors

Shri Sharad B Pitti
Chairman & Managing Director

Shri Sharad B Pitti, founder of the Company is a visionary leader who pioneered lamination manufacturing in India. He has remained integral to the growth and success of the Company.

Shri Akshay S Pitti
Vice Chairman & Managing Director and Interim CFO

Shri Akshay S Pitti, started his entrepreneurial journey at an early age. With his extensive experience of serving in different roles within the organisation, he has gathered the expertise to efficiently lead the Company.

Shri N R Ganti
Non-Executive Independent Director

Shri N R Ganti is a postgraduate in Business Administration and has rich experience in the field of finance and management. He had started his career in the field of banking with the State Bank of India and later took up management consultancy services.

Shri G Vijaya Kumar
Non-Executive Independent Director

Shri Gummalla Vijaya Kumar is a practicing Advocate at the High Court of Telangana and has also served as a Government Pleader for revenue for the United State of Andhra Pradesh. He is the Chairman of the Company's Risk Management Committee.

Shri M Gopalakrishna
Non-Executive Independent Director

Shri M Gopalakrishna is a retired IAS officer who has held senior posts in the Government of Assam, Andhra Pradesh and Government of India. He also served in the Central & State level public sector undertakings and retired as Chairman and Managing Director of Rural Electrification Corporation. He has over five decades of Administrative and Managerial experience. He is the Chairman of the Company's Nomination and Remuneration Committee.

Ms. Gayathri Ramachandran
Non-Executive Independent Director

Ms. Gayathri Ramachandran, IAS (Retd.), has held prominent positions in the Ministries of Power, Petroleum, Chemical & Fertilisers and Civil Aviation. She has also served as a Special Chief Secretary to the Government of Andhra Pradesh. She is the Chairperson of the Company's Stakeholders Relationship Committee.

Shri S Thiagarajan
Non-Executive Independent Director

Shri S Thiagarajan is a Chartered Accountant with vast experience in financial management and accounting roles. He was the Director (Finance) of NMDC and also served as a Board Member of various associates of NMDC. He is the Chairman of the Company's Audit Committee.

Shri D V Aditya
Non-Executive Independent Director (w.e.f. 10th August 2022)

Shri D V Aditya is a fellow member of the Institute of Chartered Accountants of India and is a Bachelor of Commerce. He has over 36 years of strong experience and knowledge in taxation, financial reporting, and accounting. He is the proprietor of D V Aditya & Co., a Chartered Accountancy firm.

About Pitti Engineering Limited

Delivering performance with excellence

As one of the leading electrical steel lamination companies, we are focused on manufacturing value-added and assembled components through machining and lamination process for several end-user industries in India and international markets.

For over three decades, we continue to bring engineering excellence in operations for our customers across several end user industries, pioneering innovative products. Today, we are a globally renowned manufacturer of electrical steel laminations, motor cores, sub-assemblies, die-cast rotors and machined components.

Our products find application in diverse end-user industries ranging from electric vehicles, renewable energy, hydro and wind power, super critical (lesser emissions) thermal power, India's first self-propelled (engine-less) train, large-scale lift irrigation projects, ceiling fans, data farms, metro rail, pumps and many more applications.

Strategic enablers

Best ever annual results

since our existence



Refer page 22 of the report

More than ₹137 Crore invested

in capacity expansion in last two years and further ₹ 330 Crore proposed to be invested in the next three years



Refer page 10 of the report

Diverse portfolio

of products to serve a growing number of end-user industries



Refer page 12 of the report

Strengthened business

growth with superior customer experience and growing trust



Refer page 18 of the report

Robust order book

driven by strong focus on domestic market at the backdrop of positive economic growth drivers and increasing focus on international markets



Refer page 20 of the report

Best-ever performance

Revenue

₹970.26 Crore

▲ up by
~80% y-o-y

EBITDA

₹132.63 Crore

▲ up by
70% y-o-y

Profit after tax

₹51.89 Crore

▲ up by
~80% y-o-y

Cash flow from operations

₹90.79 Crore

▲ up by
55% y-o-y

EBITDA / Tonne

₹41,519
Highest ever

Market Capitalisation

₹1034.74 Crore

▲ up by
384% y-o-y

ROCE

~18%

▲ up by
619 bps y-o-y

ROE

~18%

▲ up by
607 bps y-o-y

Working capital

~96 days

▲ improved by
56 days y-o-y

Message from the Management

Scaling new heights with **prudence** and **perseverance**



Sharad B Pitti
Chairman & Managing Director

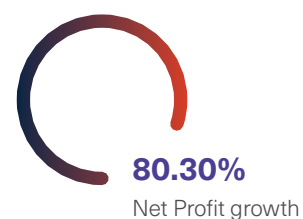


Akshay S Pitti
Vice Chairman & Managing Director and Interim CFO

Dear Shareholders,

The fiscal year 2021-22 posed unprecedented challenges in the form of concurrent waves of Covid infection, the Russia-Ukraine war and the ensuing sanctions. It not only impacted the global supply chain and commodity prices, it resulted in sustained inflationary pressure and reduced consumer confidence. However, despite difficulties, we were able to reach new heights of success. With collaborative efforts, we gathered strength to overcome hurdles and accomplished long-term goals.

Net Profit grew by
80.30% to ₹ 51.89 Crore
over the previous year.
Sales volume also increased by
48.16% to 31,945 MT in FY22.



Coming to our financial performance, we are extremely delighted to report that we have posted the best ever annual numbers, across all performance parameters for the fiscal 2021-22. We recorded a revenue of ₹ 970.26 Crore as compared to ₹ 538.67 Crore in 2020-21, registering a growth of 80.12%. Our EBITDA increased to ₹ 132.63 Crore from ₹ 78.05 Crore in 2020-21 with a strengthened margin of 13.91%. Net Profit grew by 80.30% to ₹ 51.89 Crore over the previous year. Sales volume also increased by 48.16% to 31,945 MT in FY22.

Taking into consideration, the favourable policy environment in the country and rapid vaccination for Covid-19, the Indian economy is expected to rebound and propel core industrial growth. As part of the government's commitment to strengthen the country's infrastructure, the Union Budget 2022-23 has set the stage for the rapid growth of the railway sector. The development of 400 new generation Vande Bharat trains and 100 freight terminals in the next three years will accelerate India's transformation as a self-reliant country. Given that Railways is one of our key end-user sectors, we are positioning ourselves to seize the opportunity. Additionally, the budget has laid emphasis on increasing support for small and medium businesses that will boost the manufacturing sector. Further, the push for EV penetration in public transport and creation of special mobility zones for EVs will help boost EV mobility in the country.

On the CAPEX front, we spent ₹ 137 Crore out of the planned ₹ 270 Crore, and the balance amount will be spent on automation and capacity expansion at both Hyderabad and Aurangabad, respectively, by FY23. This will be followed by an additional investment of ₹ 197 Crore between FY23 and FY25, for capacity expansion, reorganisation and automation.

Our business model and product portfolio cater to diverse end-user sectors and positions us to create value for the long-term. While we were predominantly producing machine castings, sheet metal and laminations, we have broadened our offerings into shafts, copper build-up rotors and gear cases. Analogous to our expansion aspirations, our product development team has grown organically, both in terms of size and capabilities, through collaborations with world class equipment vendors. We are also diligently working towards broadening our product portfolio and catering to several end-user industries to create value for the long term.

The salience of our brand is built upon our remarkable engineering expertise and the reliability of our products as one of the largest manufacturers of laminations, coupled with economies of scale that lend us a significant edge in the market place. Further, our consistent growth across all financial parameters have resulted in an upward revision of our credit ratings by external agencies, enabling us to secure a lower cost of capital.

We aspire to be an indispensable part of our customer supply chain and to that end, we are reorganising our facilities to place majority of the sheet metal facility at Aurangabad and the machining facility at Hyderabad, with state-of-the-art equipment and automation. We have already increased our installed capacity to 46,000 tonnes from 36,000 tonnes over the last 18 months and we aim to further enhance the sheet metal capacity to 72,000 tonnes over the next two years. Among the several metrics, our higher EBITDA per tonne defines the excellence of our operations. Looking ahead, we are projecting a sales volume of 42,000 tons for the next fiscal year, on the back of a robust demand from domestic and international markets.



Our EBITDA increased to ₹ 132.63 Crore from ₹ 78.05 Crore in 2020-21 with a strengthened margin of 13.91%. Net Profit grew by 80.30% to ₹ 51.89 Crore over the previous year.

We would like to take this opportunity to express our gratitude to all our employees and stakeholders for their constant support, encouragement, and dedication. We would also like to thank our customers and other business associates for their continued support. Your company also recognises the need to be environmentally responsible in its business operations. As a testament to our commitment to become sustainable, we have invested in clean energy, with solar power covering 2.09% of the electricity requirement at our facilities.

Your Company is confident of its ability to maintain excellence and broaden its growth trajectory as we position ourselves for the long-term, building your Company with prudence and contributing to building 'Atmanirbhar Bharat'.

Warm Regards,

Sharad B Pitti
Chairman & Managing Director

Akshay S Pitti
Vice Chairman & Managing Director and Interim CFO

Our Business Model

Building value through a **focused** strategy

Inputs

Manufactured capital

3 manufacturing facilities (2 units in Hyderabad and 1 in Aurangabad)
₹440.70 Crore Gross block

Financial capital

₹283.97 Crore net worth
₹110.19 Crore Long-term debt

Intellectual capital

39 years of industry experience

Human capital

1,320 Employees
669 professionals, engineers, postgraduates, graduates and diploma- holders

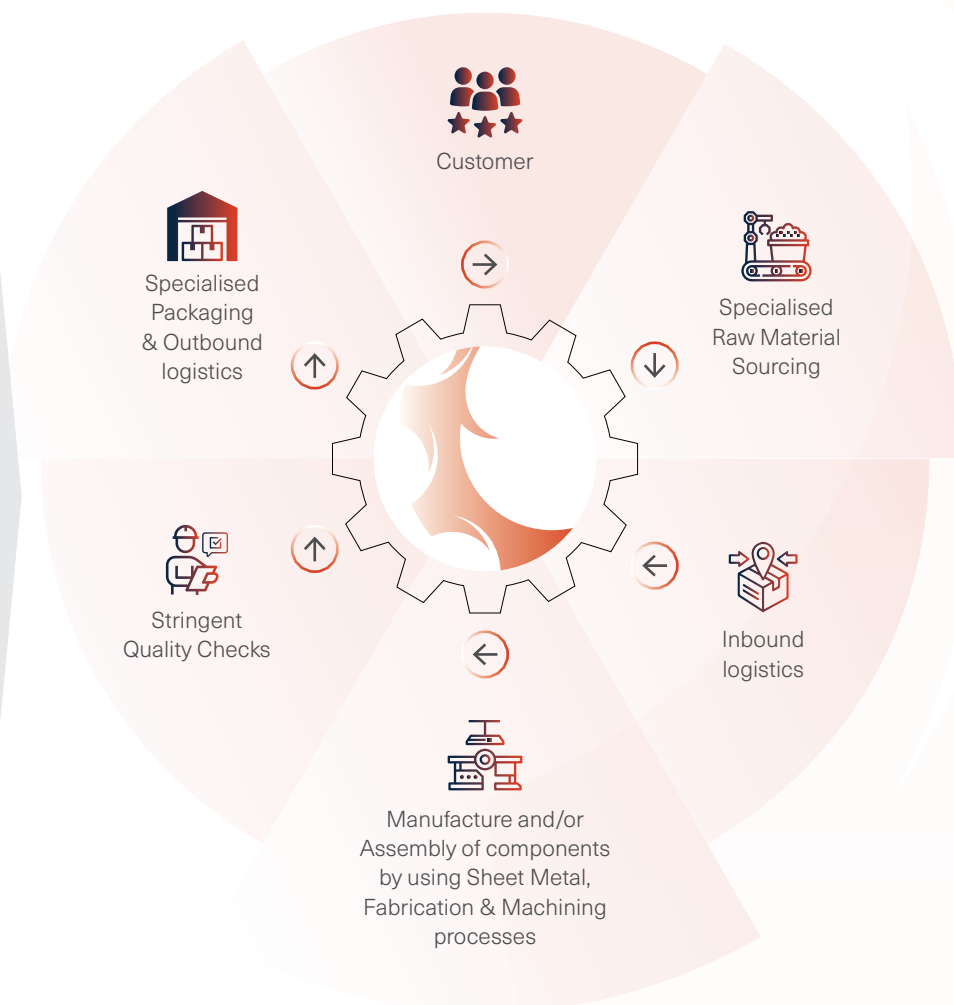
Social & Relationship capital

₹1.39 Crore spent for CSR activities

vendor base

2,530 domestic
106 international

Value creation process



Outputs

Manufactured capital

46,000 MT production capacity of sheet metal
4,03,200 machine hours
₹10.51 Crore Incentive received from Government of Maharashtra

Financial capital

₹970.26 Crore Revenues
₹132.63 Crore EBITDA
13.91% EBITDA margin
₹51.89 Crore PAT
5.35% PAT margin
18.27% ROE
18.20% RoCE

Intellectual capital

Strong Development team
6000+ products

Human capital

334 long serving employees (>5years)
34 years Average age

Social & Relationship capital

5,018 People benefitted from CSR activities
customers
89 domestic
15 international
Renowned brands as customers in domestic and international markets

Outcomes

- Recognised manufacturing units with global accreditations
- Optimum capacity utilisation levels
- Highly automated to drive economies of scale
- Real-time monitoring with enhanced measures on safety and health
- Significant growth in revenue and profitability
- Consistent growth in shareholder value
- Sustained investments in business with healthy accruals
- Robust cash flow
- Providing quality products and services
- Ensuring operational excellence through innovation
- Culture of innovation
- Safe, fair and healthy work place
- Personal and professional growth opportunities
- Continuous efforts undertaken to uplift the communities within the area of operations
- Diverse supplier base to leverage unique product offering

Our Operations

Strengthening our manufacturing prowess

Our success is built on our superior engineering skills and cutting edge manufacturing technologies.

Our production sites, which are equipped with cutting-edge technology, are located in close proximity to both customers and raw material suppliers, allowing cost optimisation and increased yields. Our manufacturing units at Hyderabad and Aurangabad are state-of-the-art units with automation and modern equipment that bring economies of scale.



Proposed capacity expansion

Our investment in capacity expansion has enabled us to widen our offerings and reach our customers quicker. The proposed capacity expansion of sheet metal to 72,000 tonnes and machining to 6,48,000 hours will further strengthen our revenue-earning potential. In addition, debottlenecking and automation exercises at Hyderabad will add to our profitability levels.

Capex planned in next 3 years (in ₹ Crore)

330

Manufacturing capabilities

Sheet metal capacity (tonnes)

46,000

Capacity utilisation (%)

69.74%

Machining capacity (hours)

4,03,200

Capacity utilisation (%)

76.31%

Gross block (in ₹ Crore)

₹440.70

One of the

Largest

exporters of electrical laminations in India

One of the

Leading suppliers

for all motor manufacturers in India

One of the

Market leaders

for assembling of large alternators and motors in India

Our Expertise

Fast-tracking innovation to power profitable growth

We deliver innovative products that are globally benchmarked. Our capability to continually strengthen our skills and provide remarkable results allows us to carve out a distinct market for our products, ensuring value for all stakeholders.

Our engineering value chain has been greatly strengthened by our state-of-the-art production facilities and innovative methods. Drawing on the knowledge of our core team and our solid manufacturing foundation, we fulfil evolving customer needs.

We use specialised manufacturing processes for generating prototypes in order to help our customers minimise the time to market for their new product ideas. The addition of very large progressive die technology to our operations improves our quality, productivity, and delivery time.

We continually reduce our dependency on labour through automation. For handling laminations on notching machines, we are in the process of introducing robotic loading systems. This automation would improve productivity levels and bring overall efficiencies. For gathering blanks and scrap, we have introduced material collection systems. Going forward, we continue to make a host of additional enhancements to boost our manufacturing efficiency.



End-user industries served by Pitti:



Appliances



Cement



Construction



Data Centres



DG Set



Electric Vehicle Motor



Freight Rail



Hydro Generator



Lift Irrigation



Medical Equipment



Mining



Mass urban Transport



Other Industries



Oxygen Plants



Pumps



Passenger Rail



Steel



Sugar



Thermal Power



Wind Mill Generator



Wind Mills

Our Expertise

Case study

Solution Providers

Background

Our customer integrated loose rotor laminations or die-cast rotors with shafts internally, buying shafts from the unorganised market place which was fragmented and used rudimentary technology.



The challenge encountered

Higher cost of end product owing to the high price of shaft integration to rotors at customer-end and a lack of economies of scale in shaft procurement.

Supply chain issues due to fragmented vendor base resulting in increased lead time to market.

Capacity constraints limiting growth.

All of the above challenges were further amplified by the pandemic.



Our solution

We introduced cutting-edge machinery and technology to manufacture motor and generator shafts, reducing the number of steps in the process resulting in higher throughput, better quality and lower cost.

We used our engineering expertise and drew on our customer experiences to facilitate in-house processes to integrate the shaft to the rotors.



The result

Lower footprint at customer manufacturing facilities, integrated and smooth supply chain enabled customers to increase focus on core manufacturing activities.

Improved our economies of scale while driving business for our vendors, which improved and increased employment opportunities in the communities we serve.



Strengthening our move from vendor to partner

Our Expertise

Case study

Going Big and Fast

Background

Large size laminations typically had smaller single product volumes ranging from 50,000 to 1,00,000 pieces per month.

These were produced using an appropriate multi-press/multi-tool labour-intensive process requiring four operations to produce one finished piece at a productivity rate of 6-8 operations a minute.



The challenge encountered

Increase in number of products and exponential increase in single product volumes ranging from 2,50,000 to 25,00,000 pieces per month.



Our solution

Introduced high speed presses of various capacities and progressive dies. It was a unique approach, whereby we utilised dies of sizes that were never before used in India (600mm) and automated collection units.

This allowed us to condense the multi-press/multi-tool labour-intensive process that required four operations to produce one finished piece to one progressive die requiring one operation for each finished product in a highly automated process at productivity rate of 80-200 operations a minute.



The result

Improved delivery time and quality of products.

Lowered our operating cost while increasing volume.



Cementing Growth