Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

1.1. CORPORATE INFORMATION

The Consolidated financial statements comprise financial statements of Pitti Engineering Limited (Formerly Pitti Laminations Limited) ("the Holding Company " or "The Company") which is a public Company and it's wholly owned subsidiary "Pitti Rail and Engineering Components Limited" which is incorporated in India during the FY 2020-21. The registered office of the Group is located at 4th floor Padmaja Landmark, Somajiguda, Hyderabad – 500082, Telangana, India. The shares of the holding company are listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.

The Group is engaged in the manufacturing of engineering products of iron and steel including electrical steel laminations, stator & rotor core assemblies, sub-assemblies, pole assemblies, die-cast rotors, press tools and high precision machining of various metal components including Railways.

1.2 BASIS OF PREPARATION AND PRESENTATION

The Consolidated financial statements of the Group have been prepared in accordance with Indian Accounting standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies Accounting Standard (Amendment Rules 2016).

The Consolidated financial statements of the Group are presented in Indian rupees (₹), which is also its functional currency and all values are rounded to the nearest lakh (₹ 00,000), except when otherwise indicated.

1.3 Priniciples of Consolidation

(a) The financial statements of the Holding Company and its subsidiaries are combined on a line-by-line basis by adding together like-items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intragroup transactions.

(b) Profits or losses resulting from intra-group transactions that are recognised in assets, such as Inventory and Property, Plant and Equipment, are eliminated in full.

(c) The Consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(d) The carrying amount of the parent's investment in each subsidiary is offset (eliminated) against the parent's portion of equity in each subsidiary.

1.4. Preparation of Consolidated Financial Statements

(a) Basis of Accounting

The Consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of Companies Act,2013.

The Consolidated financial statements comprises of Pitti Engineering Limited (Formerly Pitti Laminations Limited) and its wholly owned subsidiary Pitti Rail and Engineering Components Limited , being the entity that it controls. Control is assessed in accordance with the requirement of Ind AS 110 –Consolidated financial statements. These financial statements for the year ended 31st March 2021 are the first consolidated financials, during the year the Holding company has acquired business of Pitti Rail and Engineering Components Limited therefore comparative figures as per Ind AS not required to be presented.

The Consolidated financial statements have been prepared on historical cost basis except for certain financial instruments measured at fair value at the end of each reporting period as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these Consolidated financial statements is determined on such basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2.

(b) Significant accounting judgments, estimates and assumptions

The preparation of the Group's Consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The management believes that the estimates used in preparation of Consolidated financial statements are prudent and reasonable.

Estimates and underlying assumptions are reviewed at each reporting date. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future period is effected.

(c) Estimation of uncertainties relating to the global health pandemic from COVID-19

During the quarter 1 (April to June'20), the novel coronavirus (Covid-19) affected public health. In response, Governments across the globe, imposed lockdown which disrupted worldwide economic activity

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including India. Accordingly, the Central and State Governments issued directives for lockdown closure of all activities for specified periods effecting the operations of the Group and thus impacting the sales and profitability during the year. The Group continuously monitored the situation and took necessary actions in response to the developments to minimize the impact and safeguard its assets and people. The Group evaluated the prevailing situation to assess the impact on the consolidated financial statements for the year ended 31st March 2021 and is confident of recoverability of the assets including receivables, investments, property plant and equipment, intangible assets, assets held for sale and estimates no material impact.

(d) Current/ Non-Current Classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

(i) Expected to be realized or intended to be sold or consumed in normal operating cycle

(ii) Held primarily for the purpose of trading

(iii) Expected to be realized within twelve months after the reporting period, or

(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

(i) It is expected to be settled in normal operating cycle

(ii) It is held primarily for the purpose of trading

(iii) It is due to be settled within twelve months after the reporting period, or

(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

1.4. Property, Plant and Equipment

Freehold land is measured at cost and not depreciated. All other items of property, plant and equipment (includes Tools and Dies) are stated at cost less accumulated depreciation and impairment loss, if any.

Cost includes cost of acquisition, installation or construction, other direct expenses incurred to bring the assets to its working condition and finance costs incurred up to the date the asset is ready for its intended use and excludes GST eligible for credit / setoff.

Such cost includes the cost of replacing part of the plant and equipment, costs of dismantling and removing the item and restoring the site on which it is located and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the same were depreciated separately based on their specific useful lives.

All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

The Group records a provision for dismantling cost towards Plant and Machinery wherever applicable. Dismantling costs are provided at the present value of future expenditure using the current pre-tax rate expected to be incurred to fulfil dismantling obligation and are recognized as part of the cost of the underlined asset. Any change in the present value of expenditure other than unwinding of discount on the provision is reflected as adjustment to the provision and the corresponding asset. The change in the provision due to the unwinding of discount is recognized in the statement of profit and loss.

Capital work-in-progress in respect of assets which are not ready for their intended use are carried at cost, comprising of direct costs, related incidental expenses and attributable interest.

All identifiable Revenue expenses including interest incurred in respect of various projects / expansion, net of income earned during the project development stage prior to its intended use, are considered as pre – operative expenses and disclosed under Capital Work-in-Progress.

Depreciation is not recorded on capital work-in-progress until construction and installation is complete and the asset is ready for its intended use.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as "Capital Advances" under other non-current assets.

Property, plant and equipment are eliminated from Consolidated financial statements, either on disposal or when retired from active use. Losses arising in the case of the retirement of property, plant and equipment and gains or losses arising from disposal of property, plant and equipment are recognized in the statement of profit and loss in the year of occurrence.

'Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Property, Plant and Equipment is provided on straight-line method, over the useful life of the assets, as specified in Schedule II to the Companies Act, 2013. Building constructed on leasehold land is depreciated based on the useful life specified in Schedule II to the Companies Act, 2013, where the lease period of the land is beyond the life of the building. Any Capital Expenditure costing ₹ 5,000 or less are treated as a Revenue Expenditure and recognized in the statement of profit and loss in the year in which it is incurred.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the assets where the useful life estimated by management is different from the Act details are given below:

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Category of Asset	Estimated useful lives as assessed by the Management	Useful lives as per Schedule II to the Act
Factory Building	5-30 years	30 years
Leasehold Building	8-28 years	30 years
Furniture & Fixtures	2-10 years	10 years
Patterns, Match Plates	6-10 years	15 years
Plant & Machinery	2-10 years	15 years
Electricals	2-10 years	10 years
Office Equipment	5-10 years	5 years
Lab & Test Equipment	3-10 years	10 years
Other Miscellaneous Equipment	2-25 years	15 years
Vehicles-Motor Cycle	10 years	10 years
Vehicles-Motor Cars	2-8 years	8 years
Computers – Servers	6 years	6 years
Computers – Desktops	3 years	3 years

The useful life of each tool has been estimated in number of strokes; hence Depreciation has also been done on the number of strokes made by each tool during the year. However, if any tool wears out or gets obsolete before expiry of the estimated life, the remaining value of the tool is depreciated during that year.

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably.

Intangible assets are stated at cost or acquisition less accumulated amortization and impairment loss, if any.

Intangible assets including software is amortized over their estimated useful life on straight line basis from the date they are available for intended use, subject to impairment test.

The estimated useful life and the amortization period of the intangible assets are reviewed at the end of each financial year and the amortization period is revised to reflect the changed pattern, if any.

Development expenditures on an individual product/project are recognized as an intangible asset when the Group can demonstrate, the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and use or sell the asset, its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the availability to measure reliably the expenditure during development.

Product development cost are amortized on a straight-line basis over a period of 60 months.

Subsequent cost

Subsequent costs incurred for replacement of a major component of an asset are included in the asset's carrying cost or recognized as a separate asset, as appropriate. The carrying values of the replaced components are recognized to statement of Profit and Loss when replaced.

De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Gains or losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

1.5. REVENUE RECOGNITION

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services.

The control is transferred upon shipment of goods to the customer or when the goods is made available to the customer, provided transfer of title to the customer occurs and the Group has not retained any significant risks of ownership or future obligations with respect to the goods shipped.

Revenue from rendering of services is recognised over the time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

Revenue is measured at the amount of consideration which the Group is entitled to in exchange of transferring distinct goods or services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the government). Consideration is due upon satisfaction of performance obligations and a receivable is recognised when it becomes unconditional.

(a) Interest income

Interest Income from financial asset is recognized when it is probable that the economic benefits flow to the Group and

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the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

(b) Dividend income

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(c) Other income

Revenue in respect of other income is recognized when a reasonable certainty as to its realization exists.

Income from export incentives under Foreign Trade Policy relating to Merchandise Exports from India Scheme (MEIS), duty drawback, premium on sale of import licenses, and lease license fee are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Income arising out of Investment Incentives under the Telangana State Industrial Development and Entrepreneur Advancement (T-IDEA) Incentive Scheme and Maharashtra Government's Package Scheme of Incentives (PSI) 2013 for the investments made by Group in Plant-4 in Hyderabad and Aurangabad plant is recognized on sanction from the competent authorities.

1.6. Investments

Investments are classified into current and non-current investments. Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as non-current investments. However, that part of long term investments which are expected to be realized within twelve months from Balance Sheet date is also presented under "Current Investment" under "Current portion of long term investments" in consonance with the current / non-current classification of Schedule III of the Act.

Equity investments are stated at fair value.

1.7. Inventories

(a) Inventories include raw material, work in progress, finished goods, scrap and stores, spares and consumables and is carried at the weighted average cost or net realizable value whichever is lower.

(b) The cost of inventories is computed to include all cost of purchases, cost of conversion, standard overheads and other related cost incurred in bringing the inventories to their present condition.

(c) Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

1.8. Foreign Currency Transactions and Balances

Items included in the Consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('functional currency'). The Consolidated financial statements are presented in Indian Rupee (INR), which is the Group's functional and presentation currency.

Foreign exchange differences arising on foreign currency borrowings is disclosed under finance cost, other than on 'Borrowing costs' in accordance with Ind AS 23, which is directly attributable to the acquisition, construction, or production of a qualifying asset forming part of the cost of the asset.

Net gain or loss on foreign currency translations on trade receivables and trade payables is classified under other income or other expenses as the case may be.

(a) Initial Recognition

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Statement of Profit and Loss.

(b) Measurement of foreign currency items at the Balance Sheet date

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognized in the Statement of Profit and Loss. Non-Monetary assets are recorded at the rates prevailing on the date of the transaction.

(c) Derivative Financial Instruments and Hedge Accounting:

The Group enters into forward contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments.

At the inception of a forward contract, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such forward contracts are initially recognised at fair value on the date on which a such contract is entered into and are also subsequently measured at fair value. Forward contracts are carried as Financial Assets when the fair value is positive and as Financial Liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to Statement of Profit and Loss, except for the effective portion of cash flow hedge which is recognised in Other Comprehensive Income and later to Statement of

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Profit and Loss when the hedged item affects profit or loss or is treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a Non-Financial Assets or Non-Financial liability.

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts are recognized in the Statement of Profit and Loss in the period in which the exchange rates change. Any Profit or Loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or expense for the period.

1.9. Employee Benefits

Defined Contribution Plan

Contribution as per Employee's Provident Funds and Miscellaneous Provisions Act, 1952 towards Provident Fund and Family Pension Fund are provided for and payments in respect thereof are made to the relevant authorities on actual basis.

Defined Benefit Plan

Gratuity: In accordance with applicable Indian Laws, the Group provides gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The gratuity plan provides a lump sum payment to vested employees, at retirement, or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Group. Liability with regard to Gratuity Plan is accrued based on actuarial valuation at the Balance Sheet date.

Leave Encashment: In accordance with applicable Indian Laws, the Group provides Encashment of Leave, a defined benefit plan (Leave Encashment Plan) covering all employees. Liability with regard to Leave Encashment Plan is accrued based on actuarial valuation at the Balance Sheet date.

Measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

(i) The date of the plan amendment or curtailment, and

(ii) The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

(i) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine Settlements; and

(ii) Net interest expense or income

1.10. Borrowing Costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost, if any.

Borrowing costs, which are directly attributable to the acquisition/ construction or production of a qualifying asset, till the time such assets are ready for intended use, are capitalized as part of the costs of such assets. Other Borrowing costs are recognized as expenses in the year in which they are incurred.

1.11. Leases

The Group as a lessee:

As per Ind AS-116, the Group has recognized lease liabilities and corresponding equivalent right-of-use assets. The Group's lease asset classes primarily consist of leases for Land, Buildings, Plant & Machinery and Vehicles. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(i) The contract involves the use of an identified asset.

(ii) The Group has substantially all the economic benefits from use of the asset through the period of the lease and

(iii) The Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use (ROU) asset and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of 12 months or less (short-term leases) and low value leases. For these short-term and low-value leases, the Group recognizes the lease payments as an operating expense.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life

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of the underlying asset. ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

1.12. Impairment

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made.

An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.13. Earnings Per Share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit after tax for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed to be converted as of the beginning of the year, unless they have been issued at a later date.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

1.14. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chairman and Managing Director and Vice Chairman and Managing Director have been identified as the Chief Operating Decision Maker. Refer note 25.11 for the segment information presented.

1.15. Provisions and Contingencies

The Group creates a provision when there exists a present obligation as a result of a past event that probably requires an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

The expenses relating to a provision is presented in the Statement of Profit & Loss net of any reimbursement.

1.16. Taxation

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Group has adopted and effected the reduced corporate tax rate permitted under section 115BAA of the Income Tax Act, 1961 as per the Taxation Laws (Amendment) Ordinance, 2019. The tax calculations for the year ended 31st March 2021 have been made accordingly.

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Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

1.17. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

(i) Debt instruments at amortized cost

(ii) Debt instruments at fair value through other comprehensive income (FVTOCI)

(iii) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

(iv) Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt Instruments at Amortized Cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows,

And

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Equity Investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

(i) The rights to receive cash flows from the asset have expired, or

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  (a) The Group has transferred substantially all the risks and rewards of the asset, or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of Financial Assets

In accordance with Ind AS 109, the Group uses expected credit loss model, for evaluating impairment of financial assets other than those measured at sale value through profit and loss. Expected credit losses are measured through a loss allowance at an amount equal to :

- The twelve months expected credit losses (expected credit losses that result from those default events on the financial instrument but are possible within twelve months after the reporting date.) : or

- Full life time expected credit losses (expected credit losses that result from those default events over the life of the financial instrument).

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For trade receivables, the Group applies simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables at every reporting date the existing trade receivables are reviewed and accordingly required credit loss is recognized in books.

For other assets (other than trade receivables), the Group uses twelve months expected credit loss to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full life time expected credit loss is used.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these Consolidated financial statements is determined on such basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2.

1.18. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

A sale is considered as highly probable when decision has been made to sell, assets are available for immediate sale in its present condition, assets are being actively marketed and sale has been agreed or is expected to be concluded within 12 months of the date of classification.

Assets and liabilities classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are presented separately in the balance sheet.

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE: 2A

PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK IN PROGRESS AND ASSETS HELD FOR SALE

₹ in lakhs

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK
	As at 01.04.2020	ADDITIONS	ADJUSTMENTS	As at 31.03.2021	As at 01.04.2020	FOR THE YEAR	FOR RESERVES	ADJUSTMENTS	As at 31.03.2021	As at 31.03.2021
TANGIBLE ASSETS										
Land	716.86	-	-	716.86	-	-	-	-	-	716.86
Factory Building										
- on Own premises	3,795.97	139.58		3,935.55	762.75	119.17	-	-	881.92	3,053.63
- on Lease hold Property	1,298.02	-	-	1,298.02	639.74	59.98	-	-	699.72	598.30
Plant & Equipment	24,353.71	2,180.19	2,828.94	23,704.96	11,751.19	1,670.77	-	476.37	12,945.59	10,759.37
Tools	4,023.78	222.59	149.27	4,097.10	414.54	130.93		8.85	536.62	3,560.48
Patterns, Match plates & Mould Box	244.43	124.70	-	369.13	35.34	35.83		-	71.17	297.96
Office Equipment	287.98	8.36	3.35	292.99	156.21	32.79	-	2.69	186.31	106.68
Furniture & Fixtures	177.61	2.48	6.91	173.18	136.02	5.40	-	6.36	135.06	38.12
Other-Computers	337.56	41.63	19.68	359.51	294.42	24.52	-	18.84	300.10	59.41
Vehicles	755.52	50.35	136.76	669.11	365.66	74.86	-	126.26	314.26	354.85
Less : Assets held for Sale (Land and Building)	(453.04)			(453.04)	(191.04)			-	(191.04)	(262.00)
Sub Total	**35,538.40**	**2,769.88**	**3,144.91**	**35,163.37**	**14,364.83**	**2,154.25**	**-**	**639.37**	**15,879.71**	**19,283.66**
Capital Work In Progress	825.85	4,352.27	5,064.59	113.53						113.53
NOTE: 2B										
INTANGIBLE ASSETS										
Computer Software	757.56	10.98	-	768.54	520.63	63.00	-	-	583.63	184.91
Product Development Expenses	1,072.77	1,013.87	-	2,086.64	176.22	288.23			464.45	1,622.19
Sub Total	**1,830.33**	**1,024.85**	**-**	**2,855.18**	**696.85**	**351.23**	**-**	**-**	**1,048.08**	**1,807.10**
Total	**37,368.73**	**3,794.73**	**3,144.91**	**38,018.55**	**15,061.68**	**2,505.48**	**-**	**639.37**	**16,927.79**	**21,090.76**
NOTE: 2C										
RIGHT OF USE OF ASSETS										
Land	227.69	-		227.69	17.88	17.88			35.76	191.93
Building	2,272.14	17.92	-	2,290.06	119.59	120.10	-	-	239.69	2050.37
Plant and Machinery	-	5,442.02	-	5,442.02		351.17			351.17	5,090.85
Vehicles	69.10	62.74	25.06	106.78	27.59	24.85		25.06	27.38	79.40
Computers	44.79	-	44.79	-	25.59	19.20		44.79	-	-
Subtotal	**2,613.72**	**5,522.68**	**69.85**	**8,066.55**	**190.65**	**533.20**	**-**	**69.85**	**654.00**	**7,412.55**
Grand Total	**39,982.45**	**9,317.41**	**3,214.76**	**46,085.10**	**15,252.33**	**3,038.68**	**-**	**709.22**	**17,581.79**	**28,503.31**

During the current year ₹ 2.50 lakhs interest on term loan is capitalized for plant & machinery items for the loan taken from Tata Capital Financial Services (interest rate is 13% p.a.) and from Kotak Mahindra Bank Limited (interest rate @ 9.15% p.a.)

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 3A : INVESTMENTS

	As at 31.03.2021 ₹ in lakhs
Trade investment	
Investment with Pitti Castings Private Ltd (Unquoted)	
a. Equity Shares	408.00
(40,80,000 equity shares at face value ₹10/-each, previous year 40,80,000)	
Presented as per Fair Market Value as per Ind AS Requirement	
b. Redeemable Preferential shares	1,233.00
(1,23,30,000 Preferential shares (non-cumulative non-participative redeemable) at face value ₹10/- each)	
TOTAL	**1,641.00**

NOTE 3B : LOANS

	As at 31.03.2021 ₹ in lakhs
Unsecured, considered good	
Deposits:	
Rent	16.92
With suppliers	2.92
TOTAL	**19.84**

NOTE 3C : TERM DEPOSIT ACCOUNTS

	As at 31.03.2021 ₹ in lakhs
Unsecured, considered good	
Term Deposits with Finacial Institutions	485.18
TOTAL	**485.18**

NOTE 4 : OTHER NON CURRENT ASSETS

	As at 31.03.2021 ₹ in lakhs
Unsecured, considered good	
Capital Advance for Fixed Assets	598.29
Prepaid Exp - Rent Deposts Ind AS	39.90
Gold Coins	1.49
Deposits:	
With Govt. bodies	128.69
TOTAL	**768.37**

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 5 : INVENTORIES

	As at 31.03.2021 ₹ in lakhs
(At lower of cost or Net realisable value)	
Raw material	7,436.22
Material in Transit	26.46
Work in process	2,072.74
Finished goods	4,237.20
Stores and spares	1,601.32
Scrap	348.15
TOTAL	**15,722.09**

NOTE 6A : INVESTMENTS

	As at 31.03.2021 ₹ in lakhs
Investment in Equity Shares	
I. Quoted	
Development Credit Bank Ltd.	1.03
Face Value 1,000 Equity Shares of ₹10/- each	
Presented as per Fair Market Value as per Ind AS Requirement	
II. Unquoted	
Saraswat Co-operative Bank Ltd.	0.01
50 Equity Shares of ₹10/- each (Unquoted)	
SVC Co-operative Bank Ltd	0.03
100 Equity Shares of ₹10/- each (Unquoted)	
TOTAL	**1.07**

NOTE 6B : TRADE RECEIVABLES

	As at 31.03.2021 ₹ in lakhs
(Secured, considered good)*	
Overdue Outstanding for a period exceeding six months	-
Others	-
TOTAL	**-**
(Unsecured, considered good)	
Overdue Outstanding for a period exceeding six months	170.02
Others	17,094.28
TOTAL	**17,264.30**
Significant increase in Credit Risk	(83.31)
TOTAL	**(83.31)**
Credit Impaired	(4.06)
TOTAL	**(4.06)**
GRAND TOTAL	**17,176.93**

*Sales against Letter of Credit

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 6C : CASH AND CASH EQUIVALENTS

	As at 31.03.2021 ₹ in lakhs
Cash on Hand	18.27
Balances with banks	
Current Accounts	3.81
EEFC Accounts	5.93
Unclaimed dividend account (Refer note a)	8.77
Cash & Cash equivalents	**36.78**
Other bank balances	
Term Deposit Accounts (Refer note b)	857.63
TOTAL	**894.41**

Note:

a) During the year an amount of ₹2.85 lakhs final dividend for the year 2012-13 (previous year ₹8.14 lakhs for the year 2011-12 (including unclaimed Demand Drafts)) (final dividend) was transferred to Investor Education and Protection Fund (IEPF).

b) Term Deposits are held as Margins for LC/BGs.

NOTE 6D : OTHER FINANCIAL ASSETS

	As at 31.03.2021 ₹ in lakhs
Interest Accrued on Deposits	38.08
EMD Amount	1.18
TOTAL	**39.26**

NOTE 7 : OTHER CURRENT ASSETS

	As at 31.03.2021 ₹ in lakhs
(Unsecured and considered good)	
Advances to:	
Material suppliers/contractors	584.03
Central excise, Sales tax,GST etc.,	1,510.09
Export Incentive Receivables	205.01
Others*	1,824.81
Income Tax and other taxes	47.37
Employees	1.54
Prepaid expenses	323.44
TOTAL	**4,496.29**

* ₹ 1624.59 lakhs for Industrial Promotion Subsidy (IPS) receivable from the Goverment of Maharashtra for the mega unit set up at Aurangabad under the Package Scheme of Incentive - 2013, and ₹ 200.22 lakhs amount receivable from Telangana Goverment towards Telangana State Industrial Development and Entrepreneur Advancement (T-IDEA) Incentive Scheme.

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 8 : EQUITY SHARE CAPITAL

	As at 31.03.2021 ₹ in lakhs
Authorised Capital	
6,00,00,000 (Previous Year 6,00,00,000) Equity Shares of ₹5/- each (Previous Year ₹5/- each)	3,000.00
TOTAL	**3,000.00**
Issued, Subscribed and Paid up	1,602.50
3,20,50,067 (Previous year 2,98,27,845) Equity shares of ₹5/- each (Previous Year ₹5/- each)	
8,300 (Previous year 8,300) Equity Shares forfeited of ₹5/- each (Previous year of ₹5/- each)	0.42
TOTAL	**1,602.92**

Notes

(a) Reconciliation of equity shares

Particulars	As at 31.03.2021 ₹ in lakhs
Issued, subscribed and paid-up capital	
At the beginning of the period	1,602.50
Issued during the period	-
At the closing of the period	**1,602.50**

(b) Details of Shareholders holding more than 5% equity shares in the Company

Name of the shareholder	As at 31.03.2021	
	%	No. of shares
Shri Sharad B Pitti	13.57	43,49,926
Shri Akshay S Pitti	13.19	42,28,414
Smt Madhuri S Pitti	5.49	17,58,620
Pitti Electrical Equipment Pvt Ltd	26.98	86,46,667

Rights, preferences and restrictions attached to shares :

The Company has only one class of equity shares having a par value of ₹5/- each and the holder of the equity share is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to approval of the share holders in the Annual General Meeting except in the case of interim dividend. In the event of liquidation of the Company the holders of equity shares will be entitled to receive the remaining assets of the Company in proportion to the number of equity shares held.

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 9 : OTHER EQUITY

	As at 31.03.2021 ₹ in lakhs
Securities Premium	
At the beginning of the year	8,106.46
Add: during the period	-
At the closing of the period	**8,106.46**
General Reserve	
At the beginning of the year	750.48
Less: adjustment as per Schedule -II of Companies Act, 2013	-
Add: Transferred from P&L Account during the year	-
At the closing of the period	**750.48**
Surplus in the Statement of Profit and Loss	
At the beginning of the year	10,320.20
Retained Earnings (Ind AS Adj)	-
Add : Profit/(Loss) for the period	2,799.22
Less : Interim & Proposed dividend (inclusive of tax)	
Less : Transferred to general reserve during the year	-
Net Surplus in the Statement of Profit and Loss	**13,119.42**
TOTAL	**21,976.36**

NOTE 10 A : BORROWINGS

	As at 31.03.2021 ₹ in lakhs
A. Secured Loans	
Term Loans from Banks (Refer Note a)	1,248.25
Term Loans from others (Refer Note b)	1,211.84
Sub total	**2,460.09**
Vehicle Loans	
From Lenders (Refer Note c)	87.33
Sub total	**87.33**
Total - A	**2,547.42**
B. Unsecured loans	
From Others (Refer Note d)	2,510.00
Total - B	**2,510.00**
TOTAL - (A+B)	**5,057.42**

a) Term loans from Banks

₹ in lakhs

Secured loans	Long term loans	Term loan instalments due less than 12 months	Repayment terms	Security
	As at 31.03.2021	As at 31.03.2021		
Term loans	752.83	1,032.05	Quarterly instalments payable over a remaining period of 2 to 6 years	Refer Note 1
WCTL/GECL	495.42	334.58	Monthly instalments payable over a remaining period of 6 years	Refer Note 2
Total (a)	**1,248.25**	**1,366.63**		

b) Term loans from Others

₹ in lakhs

Secured loans	Long term loans	Term loan instalments due less than 12 months	Repayment terms	Security
	As at 31.03.2021	As at 31.03.2021		
Term loans	909.01	376.73	Monthly/quarterly instalments payable over remaining period of 3 to 6 years.	Refer Note 3
WCTL/GECL	302.83	13.17	Monthly instalments payable over remaining period of 6 years	
Total (b)	**1,211.84**	**389.90**		
Total (a+b)	**2,460.09**	**1,756.53**		

c) Vehicle loans are secured by hypothecation of vehicles funded by respective lenders. Vehicle loans are repayable in monthly instalments till December 2025.

d) Unsecured loans ₹ 2,510 lakhs (previous year ₹ 1,000 lakhs) brought in by the promoters and promoters group as subordinate debt to the secured debt.

Note:

1. Pari passu first charge on present and future fixed assets of the Company and pari passu second charge on present and future current assets of the Company.
   State Bank of India (SBI) is having exclusive charge on immovable properties of the promoters and pledge of 19,44,530 shares of promoters holding on the loan amount of ₹ 17.94 crores. Further SBI loan amount is guaranteed by the promoters of the Company, and these are repayable at an interest rate of 4% above 6 months MCLR.
2. Pari passu second charge on present and future fixed assets and current assets of the Company along with other working capital lenders in consortium and these are repayable at an interest rate of 1year MCLR.
3. Exclusive charge on assets to the extent funded by the respective financial institutions. These loans are guaranteed by the promoters of the company.

Note: All the above term debt carry interest rate in the range of 7.40% to 13.50% p.a.

Note: 10B : PROVISION FOR LEASE LIABILITY

	As at 31.03.2021 ₹ in lakhs
Povision for Lease Liability	5,166.63
TOTAL	**5,166.63**

Note: 11 : PROVISIONS

	As at 31.03.2021 ₹ in lakhs
Provision for Gratuity	211.63
Provision for Leave encashment	29.71
Provision for Dismantling of PPE	443.68
TOTAL	**685.02**

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

Note: 12 : DEFERRED TAX LIABILITIES (NET)

	As at 31.03.2021 ₹ in lakhs
At the beginning of the year	1,106.88
Provision for the year	(99.54)
CLOSING BALANCE	**1,007.34**

Note: 13A : BORROWINGS

	As at 31.03.2021 ₹ in lakhs
Working capital borrowings from Banks (Secured) (a)	17,003.72
Working capital borrowings from Others	-
Inter Corporate Deposit	1,475.00
TOTAL	**18,478.72**

Note:

(a) Working capital facilities are availed at interest rate ranging from 8.70% p.a to 10.75% p.a which are secured on a pari-passu first charge basis against hypothecation of inventory (stocks), trade receivables and all other current assets both present and future, pari passu second charge on movable and immovable properties of the Company both present and future, pledge of 19,44,530 shares owned by promoters and secured by way of personal guarantee of the promoters of the Company.

NOTE 13B : TRADE PAYABLES

	As at 31.03.2021 ₹ in lakhs
Dues to micro enterprises and small enterprises*	249.78
Dues to others	10,278.96
TOTAL	**10,528.74**

Note:

The information has been given in respect of such vendors to the extent they could be identified as Micro and Small enterprises on the basis of information available with the Company on records.

(Refer Note 25.17)

* The amount mentioned is principal only.

NOTE 13C : OTHER FINANCIAL LIABILITIES

	As at 31.03.2021 ₹ in lakhs
Unclaimed Dividend	8.77
Interest accrued*	68.00
Term loan instalments due less than 12 months	1,756.53
Vehicle loan instalments due less than 12 months	71.57
Others	450.45
TOTAL	**2,355.32**

* The amount includes ₹ Nil current year towards Interest payable to MSMED Vendors.

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 13 D : PROVISION FOR LEASE LIABILITY

	As at 31.03.2021 ₹ in lakhs
Provision for Lease Liability	1,227.80
TOTAL	**1,227.80**

NOTE 14 : OTHER CURRENT LIABILITIES

	As at 31.03.2021 ₹ in lakhs
Advances from Customers	189.88
Other Liabilities	139.07
TOTAL	**328.95**

NOTE 15 : PROVISIONS

	As at 31.03.2021 ₹ in lakhs
Provision for employee benefits :	
Provision for Gratuity	5.34
Provision for Bonus	216.62
Provision for Leave encashment	96.75
TOTAL	**318.71**

NOTE 16 : INCOME TAX LIABILITIES (NET)

	As at 31.03.2021 ₹ in lakhs
Provision for taxation (net)	1,003.99
TOTAL	**1,003.99**

NOTE 17A : REVENUE FROM OPERATIONS

	For the Year 2020-21 ₹ in lakhs
Sales & Services:	
Sale of Products	50,833.61
Sale of Scrap	5,137.79
Sale of Traded Goods	-
Sale of Tools	312.83
Job work & Service Income	634.33
Gross Sales & Services (inclusive of GST)	**56,918.56**
Less : GST	(5,481.18)
Net Sales & Services	**51,437.38**
Sale of Products	46,251.43
Sale of Scrap	4,354.59
Sale of Traded Goods	-
Sale of Tools	265.11
Job work & Service Income	566.25

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

	For the Year 2020-21 ₹ in lakhs
Net Sales & Services	**51,437.38**
Less : Discounts to Customers	(338.19)
Revenue from Sales & Services	**51,099.19**

NOTE 17B : OTHER OPERATING REVENUE

	For the Year 2020-21 ₹ in lakhs
Export incentives and others	717.52
Total	**717.52**
Total Revenue from Operations (A+B)	**51,816.71**

NOTE 18 : OTHER INCOME

	For the Year 2020-21 ₹ in lakhs
Interest on Deposits	80.43
Industrial Incentive	1,653.70
Forex gain on Export Receivables and Imports Payables	217.76
Other Misc. Receipts	97.34
Dividend Income	0.00
TOTAL	**2,049.23**

NOTE 19 : COST OF MATERIAL CONSUMED

	For the Year 2020-21 ₹ in lakhs
Opening stock	5,965.25
Add: Purchases	36,190.50
Less : Material in Transit	(26.46)
Less: Closing stock	(7,436.22)
Consumption	**34,693.07**

NOTE 20: CHANGES IN INVENTORIES OF WORK-IN-PROCESS, FINISHED GOODS AND SCRAP

	For the Year 2020-21 ₹ in lakhs
A. Opening stocks:	
Work-in-process	2,040.09
Finished goods	3,361.63
Scrap	90.37
Total - A	**5,492.09**
B. Closing stocks:	
Work-in-process	2,072.74
Finished goods	4,237.20
Scrap	348.15
Total - B	**6,658.09**
C. (Increase)/Decrease in stocks (A-B)	**(1,166.00)**

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

NOTE 21 : EMPLOYEE BENEFIT EXPENSE

	For the Year 2020-21 ₹ in lakhs
Employees remuneration and benefits	4,877.78
Employees settlement expenses	19.05
Contribution to PF/ESI	259.02
Gratuity expenses	47.84
Remuneration to Directors	192.83
Staff welfare expenses	213.12
TOTAL	**5,609.64**

NOTE 22 : FINANCE COSTS

	For the Year 2020-21 ₹ in lakhs
Interest on Term Loans	520.01
Interest on Working Capital	1,914.32
Interest on Rent Deposits	0.01
Interest on Lease Liabilities	0.78
Interest on Income Tax	67.07
Bank Charges	426.07
Forex Loss/(Gain) (net)	32.55
TOTAL	**2,960.81**

NOTE 23 : OTHER EXPENSES

	For the Year 2020-21 ₹ in lakhs
Consumption of Stores, Spares, Tools & Dies	1,128.05
Power & fuel	620.34
Repairs & Maintenance :	
Plant	31.05
Building	4.14
Vehicles	11.56
Other Assets	106.96
Loss on Sale/Scrap of Fixed Assets	159.93
Credit Risk Impaired	4.06
Credit Risk Allowance	2.52
Other selling & Distribution expenses	396.33
Packing Cost	739.88
Carriage outwards	327.71
Travelling & Conveyance	282.23
Insurance	140.72
Rent	3.18
Rates & Taxes (Excluding Taxes on Income)	94.86
Director's Sitting Fees	19.50
Remuneration to auditors :	
Audit Fee	24.45
Tax Audit Fee	5.00

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

	For the Year 2020-21 ₹ in lakhs
Certification Fee /Taxation matter	4.81
Communication Expenses	36.37
Professional consultancy	387.43
CSR Expenses	50.15
Miscellaneous Expenses	294.23
TOTAL	**4,875.46**

NOTE 24 : TAX EXPENSES

	For the Year 2020-21 ₹ in lakhs
Current tax	1,098.34
Taxes on Earlier Years	(20.13)
Deferred (credit)/expenses	(99.54)
TOTAL	**978.67**

NOTE 25: CONSOLIDATED NOTES ON ACCOUNTS

25.1 Earnings per share (EPS) from continuing operations

Particulars	For the Year 2020-21
Earnings	
Profit for the period (₹ in lakhs)	2,875.61
Shares	
Number of shares at the beginning of the period	3,20,50,067
Add: Shares issued during the period	-
Total number of equity shares outstanding at the end of the period	3,20,50,067
Weighted average number of equity shares outstanding during the period	3,20,50,067
Earnings per share of par value ₹ 5/- Basic (₹)	8.97
Earnings per share of par value ₹ 5/- Diluted (₹)	8.97

25.2 Contingent Liabilities& Commitment

Particulars	As at 31.03.2021 ₹ in lakhs
(a) Contingent Liabilities - Claims against the Company not acknowledged as debts:	
(i) Service Tax liability for which appeals preferred by the Company is pending with CESTAT, Bangalore for the FY 2008-09 to 2011-12 up to December, 2011.	68.55*
(ii) Income Tax liability for which appeal preferred by the Company is pending with Commissioner of Income Tax, Hyderabad for the AY 2017-18.	923.08*
(iii) Income Tax liability for which appeal preferred by the Company is pending with Commissioner of Income Tax, Hyderabad for the AY 2018-19.	5.14*
(b) Commitments	
(i) Bank guarantees	1,154.69
(ii) Estimated amount of liability on account of Capital Commitments	1,889.03
(iii) towards Industrial Promotion Subsidy (IPS) (Mega) for New Unit under package scheme of incentive – 2013 from Maharashtra Govt. (Subject to satisfaction of conditions attached to grant)	1,624.59

* No provision is considered since the Company expects favorable decision.

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

25.3 Employee Benefit Plans

AS per Indian Accounting Standard 19 – "Employee Benefits", the disclosures as defined are given below :

A) Defined Benefit Plan

A summary of the Gratuity & Leave Encashment plans are as follows

Assumptions	Gratuity Plan 2020-21	Leave Encashment Plan 2020-21
Discount Rate	6.80%	6.80 %
Rate of increase in Compensation levels	2% p.a.	2% p.a.
Rate of Return on Plan Assets	6.80%	0%
Expected Average remaining working lives of employees (years)	25 yrs	25 yrs

Changes in Present Value of Obligations	Gratuity Plan ₹ in lakhs 2020-21	Leave Encashment Plan ₹ in lakhs 2020-21
Present Value of Obligation as at the beginning of the year	305.98	89.24
Interest Cost	20.81	5.48
Current Service Cost	41.54	37.22
Benefits paid	(7.08)	(17.37)
Actuarial (gain)/ loss on obligations	69.57	11.89
Present Value of Obligation as at the end of the year	430.82	126.46
Amount to be recognized in Balance Sheet		
Present Value of Obligation as at the end of the year	430.82	126.46
Fair Value of Plan Assets as at the end of the year	213.85	-
Funded Status	(216.97)	(126.46)
Net Asset / (Liability) Recognized in Balance Sheet	(216.97)	(126.46)
Expenses Recognized in the Statement of Profit and Loss		
Current Service Cost	41.54	37.22
Past Service Cost	-	-
Interest Cost	20.81	5.48
Expected Return on Plan Assets	(7.59)	-
Net actuarial (gain)/ loss recognized in the year	69.57	11.89
Expenses Recognized in the Statement of Profit & Loss	124.33	54.58

Sensitivity Analysis – Gratuity Plan

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis is given below:

Particulars	Gratuity Plan As at 31.03.2021 ₹ in lakhs	
	Decrease	Increase
Change in Rate of discount (Delta effect of +/-1%)	472.08	395.47
Change in Rate of Salary Growth (Delta effect of +/-1%)	387.64	480.89
Change in Rate of Attrition (Delta effect of +/-1%)	397.34	460.89
Change in Mortality Rate (Delta effect of +/-10%)	430.01	431.62

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for the year ended 31st March 2021

Sensitivity Analysis – Leave Encashment Plan

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis is given below:

Particulars	Leave Encashment Plan As at 31.03.2021 ₹ in lakhs	
	Decrease	Increase
Change in Rate of discount (Delta effect of +/-1%)	141.14	114.23
Change in Rate of Salary Growth (Delta effect of +/-1%)	109.43	147.39
Change in Rate of Attrition (Delta effect of +/-1%)	110.86	140.25
Change in Mortality Rate (Delta effect of +/-10%)	126.15	126.77

B) Defined Contribution Plan

Contribution to Defined Contribution plan, recognized as expense for the year is as under:

Description	2020-21 ₹ in lakhs
Employer Contribution to ESI	29.85
Employer Contribution to PF	206.95
Employer Contribution to pension scheme	21.94
Labour welfare fund	0.28
Total	**259.02**

25.4. Details of consumption of Raw Material

Description	For the Year 2020-21 ₹ in lakhs
Imported	5,385.55
Indigenous	29,307.52
TOTAL	**34,693.07**

25.5. Stock and Turnover of Manufactured and Traded goods

Description	Turnover ₹ in lakhs	Closing Inventory (FG) ₹ in lakhs	Opening Inventory (FG) ₹ in lakhs
Sale of Products	50,532.94	4,237.20	3,361.63
Sale of Services	566.25	-	-
TOTAL	**51,099.19**	**4,237.20**	**3,361.63**

25.6 Stock of Work in process

Description	As at 31.03.2021 ₹ in lakhs
Work/Material in process	2,072.74
TOTAL	**2,072.24**

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

25.7 CIF Value of Imports

Particulars	For the Year 2020-21 ₹ in lakhs
Capital goods	3,187.00
Raw Materials	6,121.74
Stores and Spares	59.39
TOTAL	**9,368.13**

25.8 Earnings in Foreign Currency

Particulars	For the Year 2020-21 ₹ in lakhs
FOB value of Exports	20,026.59

25.9 Expenditure in Foreign Currency

Particulars	For the Year 2020-21 ₹ in lakhs
Travelling and others	197.82
Total	**197.82**

25.10. Disclosure as per Section 186 of the Companies Act, 2013

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

(i) Details of investment made are given in Note 3A &25.13

(ii) There are no guarantees issued by your Group in accordance with section 186 of the Companies Act, 2013 read with rules issued there under

25.11. Segment Reporting

Segments are identified in line with Indian Accounting Standards (Ind AS) 108 "Operating Segments", taking into consideration the internal organization and management structure.

Operating Segments are components of the Group whose operating results are regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assesses it performance and for which discreet information is available.

The operating segment of the Group is identified to be manufacturing of "Engineering Products of Iron and Steel" and the CODM reviews business performance at an overall Group level as one segment. Hence no separate disclosure is provided.

Information by Geographies

In presenting geographic information, segment revenue has been based on the location of the customer and segment assets are based on geographical location of assets.

a) Revenue from External Customers:

Sl. No	Segment Revenue	For the Year 2020-21 ₹ in lakhs
a)	India	33,802.38
b)	Outside India	20,063.56
	TOTAL	**53,865.94**

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

b) **Assets:**

Segment Assests	Carrying amount of Assets As at 31.03.2021 ₹ in lakhs
India	61,888.73
Outside India	8,234.55
TOTAL	**70,123.28**

c) **Revenue from Major Customers**

Details of single external customer from whom the Company receives more than 10% of the revenue

Revenue from four customers of the Company, having more than 10% of the total revenue aggregrating to ₹ 27,593.95 lakhs

25.12. Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

₹ in lakhs

Particulars	Fair value hierarchy			
	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
31-March-21				
Financial Asset				
Investment in equity instruments	1,642.07	1.03	1,641.04	-
Security Deposits	16.92	-	-	16.92
Financial Liability				
Borrowings	5,057.42	-	-	5,057.42
Total	**6,716.41**	**1.03**	**1,641.04**	**5,074.34**

25.13. Related party disclosures:

List of Related parties:

Wholly Owned Subsidiary

i. Pitti Rail and Engineering Components Limited

Directors

i. Shri Sharad B Pitti*

ii. Shri Akshay S Pitti*

iii. Shri N.R. Ganti

iv. Shri G. Vijaya Kumar#

v. Shri M. Gopalakrishna

vi. Ms. Gayathri Ramachandran

vii. Shri S. Thiagarajan

Relatives of Directors* with whom transactions have taken place

i. Smt Madhuri S Pitti

ii. Smt Radhika A Pitti

Key Managerial Personnel

i. Shri N. K. Khandelwal

ii. Ms. Mary Monica Braganza

Companies in which Directors* having interest with whom transactions have taken place

i. Pitti Castings Private Limited

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

ii. Pitti Electrical Equipment Private Limited,

iii. Pitti Components Limited

iv. Pitti Trade and Investments Private Limited

Entities in which Directors*# having interest with whom transactions have taken place

i. Badrivishal Pannalal Pitti Trust

A. Transactions/balances outstanding with related parties:

(1) For the Financial Year 2020-21

₹ in lakhs

Sl. No	Transactions / Outstanding balances	Directors/ Relatives	Director's interest in Group/Entities	Key Managerial Personnel	Total
1	Remuneration	207.87	-	99.77	307.64
2	Rent / Lease Expenses	268.53	-	-	268.53
3	Rent / Lease Income	-	1.50	-	1.50
4	Purchases of goods & services	-	8,982.47	-	8982.47
5	Sales of goods & services	-	565.61	-	565.61
6	Unsecured Loan - received	3,660.00	-	-	3660.00
7	Unsecured Loan – repaid	1,150.00	-	-	1150.00
8	Inter Corporate Deposits – received	-	1,150.00	-	1150.00
9	Inter Corporate Deposits – repaid	-	2,150.00	-	2150.00
10	Donations for CSR	-	50.15	-	50.15
11	Interest paid	-	161.02	-	161.02
12	Amount payable at the year end	2,554.21	144.30	7.78	2706.29
13	Amount receivable at the year end	60.23	519.88	-	580.11
14	Investments at the year end	-	1,641.00	-	1641.00

B. Disclosure pursuant to regulation 34(3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Transaction with promoter / promoter group holding more than 10% of the share capital of the Company.

₹ in lakhs

Name	Transaction / Outstanding balance	For the year 2020-21
Shri Sharad B Pitti	Remuneration	96.93
	Lease rental	92.05
	Unsecured loans Received	175.00
	Unsecured loans Repaid	175.00
	Interest on unsecured loan	2.56
	Amount payable at the year end	13.48
	Amount receivable (Rent deposit) at the year end	20.21
Shri Akshay S Pitti	Remuneration	95.90
	Unsecured loans Received	3,485.00
	Unsecured loans Repaid	975.00
	Interest on unsecured loan	58.58
	Amount payable at the year end	2512.46
Pitti Electrical Equipment Private Limited	Purchase of goods	638.86
	Inter corporate deposits received	-
	Inter corporate deposits repaid	1,000.00
	Interest on inter corporate deposits	80.15
	Amount payable at the year end	112.72

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

25.14. Deferred Tax

₹ in lakhs

Sl. No	Particulars	Deferred Tax (Liability)/ Asset as at 01.04.2020	Current Year charge (Debit)	Deferred Tax (Liability)/ Asset as at 31.03.2021
1	Difference between Depreciation as per Co's Act. & as per IT Act.	(1,982.41)	27.68	(1,954.73)
2	Others	875.53	71.86	947.39
	Deferred Tax Net	**(1,106.88)**	**99.54**	**(1,007.34)**

25.15. The Group has provided for cess as specified in section 441 A of the Companies Act, 1956 and in the absence of any notification by the Central Govt. the Group could not deposit the same with the appropriate authority.

25.16. The assessment for impairment of assets has taken place at the end of reporting period as per guidelines laid down in IND AS 36, 'Impairment of assets'. For the assets having recoverable amount less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the resulting impairment loss is recognised in profit or loss.

25.17. Micro, Small and Medium Enterprises Development Act, 2006

Disclosure required as per section 22 of the Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act) is given below:

₹ in lakhs

Sl. No	Description	Year 2020-21
1	Principal amounts due to suppliers under MSMED	249.78
2	Interest accrued and due to suppliers covered under MSMED on the above amount, unpaid	-
3	Payment made to suppliers (with Interest) beyond the appointed day during the year.	-
4	Interest paid to suppliers covered under MSMED	-
5	Interest due & Payable to suppliers covered under MSMED Act., towards payments already made.	-

The information has been given in respect of such vendors to the extent they could be identified as micro and small enterprises on the basis of information available with Group.

25.18. Additional information as required by paragraph 2 of the general instructions for preparation of consolidated Statements to Schedule III to the Companies Act, 2013

₹ in lakhs

Particulars	As at 31st March 2021		Year ended 31st March 2021					
	Net Assets i,e Total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share of total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of other comprehensive income	Amount	As a % of total comprehensive income	Amount
Parent								
Pitti Engineering Limited	100%	23,581.50	100%	2,877.84	100%	(76.40)	100%	2,801.44
Subsidiary								
Pitti Rail & Engineering Components Limited	0%	2.78	0%	(2.23)	0%	-	0%	(2.23)
Total Elimination	0%	5.00	0%	-	0%	-	0%	-
Total	**100%**	**23,579.28**	**100%**	**2,875.61**	**100%**	**(76.40)**	**100%**	**2,799.21**

Consolidated Notes to Financial Statements

for the year ended 31st March 2021

25.19 RIGHT OF USE OF ASSETS

For the Financial Year 2020-21

₹ in lakhs

Particulars	Category of ROU Assets					Total
	Land	Building	Plant & Machinery	Vehicles	Computers	
Balance as on 1st April, 2020	2 09.81	2,152.55	-	41.51	19.20	2423.07
Reclassified on account of adoption of Ind AS 116	-	-	-	-	-	-
Additions/Adjustments	-	17.92	5442.02	62.74	-	5522.68
Deletions/Adjustments	-	-	-	-	-	-
Depreciation	17.88	120.10	351.17	24.85	19.2	533.20
Balance as on 31st March, 2021	**191.93**	**2,050.37**	**5090.85**	**79.4**	**-**	**7412.55**

25.20. Letters have been written for confirmation of debit and credit balances pertaining to debtors and creditors and reply from certain parties are awaited.

25.21. Financial and derivative instruments:

₹ in lakhs

Description	As at 31.03.2021
Forward Contracts	4,077.31

All financial and forward contracts entered into by the Group are for hedging purpose only.

25.22. Statutory Auditor's remuneration

₹ in lakhs

Sl. No	Description	Year 2020-21
1	Statutory Audit	24.45
2	Tax Audit	5.00
3	Certification fee / Taxation matter	4.81

As per our Report of even date

For and on behalf of the Board of Directors of
Pitti Engineering Limited
CIN : L29253TG1983PLC004141

for **Laxminiwas & Co**
Chartered Accountants
Firm's Registration
Number:011168S

Sharad B Pitti
Chairman & Managing
Director
DIN:00078716

G Vijaya Kumar
Director
DIN:00780356

Vijay Singh
Partner

M. No:221671

Mary Monica Braganza
Company Secretary &
Compliance Officer
M. No:F5532

N. K. Khandelwal
President - Corporate
Resources & CFO
M. No: 074967

Place : Hyderabad
Date : 18th June 2021

Place : Hyderabad
Date : 18th June 2021

Form No. AOC-1

[Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014]

Statement containing salient feature of the financial statement of subsidiaries / associate companies/ joint ventures

Part-A: Subsidiaries

₹ in lakhs

Sl. No	Particulars	Details
1	Name of the subsidiary	Pitti Rail and Engineering Components Limited (Wholly Owned Subsidiary)
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3	Date of acquiring subsidiary	5th October 2020
4	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	NA
5	Share capital	5.00
6	Reserves & surplus	(2.22)
7	Total Assets	21.02
8	Total Liabilities	21.02
9	Investments	Nil
10	Turnover	Nil
11	Profit before taxation	(2.37)
12	Provision for taxation	(0.15)
13	Profit after taxation	(2.22)
14	Proposed Dividend	Nil
15	% of shareholding	100%

Note: The Wholly Owned Subsidiary is yet to commence its commercial operations.

Part-B: Associate Companies / Joint Ventures - Not Applicable

As per our report of even date

For and on behalf of the Board of Directors of
Pitti Engineering Limited
CIN : L29253TG1983PLC004141

for **Laxminiwas & Co**
Chartered Accountants
Firm's Registration Number:011168S

Sharad B Pitti
Chairman & Managing Director
DIN:00078716

G Vijaya Kumar
Director
DIN:00780356

Vijay Singh
Partner
M. No:221671

Mary Monica Braganza
Company Secretary & Compliance Officer
M. No:F5532

N. K. Khandelwal
President - Corporate Resources & CFO
M. No: 074967

Place : Hyderabad
Date : 18th June 2021

Place : Hyderabad
Date : 18th June 2021