

**Pitti Engineering Limited**

[Formerly Pitti Laminations Limited]

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**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF PITTI ENGINEERING LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AMONG PITTI CASTINGS PRIVATE LIMITED ("PCPL" OR THE "AMALGAMATING COMPANY 1) AND PITTI RAIL AND ENGINEERING COMPONENTS LIMITED ("PRECL" OR THE "AMALGAMATING COMPANY 2"), AND PITTI ENGINEERING LIMITED ("PEL" OR THE "AMALGAMATED COMPANY" OR "THE COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.**

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**Members present:****Name of the Independent Director**

Shri M Gopalakrishna  
 Ms. Gayathri Ramachandran  
 Shri Gummalla Vijay Kumar  
 Shri N R Ganti  
 Shri S Thiagarajan

**In attendance:**

Shri M Pavan Kumar  
 Ms. Mary Monica Braganza

Chief Financial Officer  
 Company Secretary & Compliance Officer

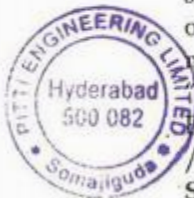
**Other Invitees:**

Shri Vitang Shah  
 Ms. Saloni Khandelwal  
 Shri Kunal Singhaniya  
 Shri Pranav Kabra  
 Shri Samkit Shah

SSPA & Co., Registered Valuers  
 Transaction Square LLP, Transaction Advisors  
 Transaction Square LLP, Transaction Advisors  
 Transaction Square LLP, Transaction Advisors  
 Transaction Square, LLP, Transaction Advisors

**I. INTRODUCTION & BACKGROUND**

The meeting of the Committee of Independent Directors of the Company was held on 15<sup>th</sup> June 2023, to consider and recommend to the Board of Directors of the Company, the proposed Scheme of Amalgamation among Pitti Castings Private Limited and Pitti Rail and Engineering Components Limited and Pitti Engineering Limited and their respective shareholders and creditors (hereinafter referred to as "the Scheme") under Sections 230 to 232 of the Companies Act, 2013 and the rules framed thereunder (including any statutory modifications or re-enactments thereof for the time being in force) ("Companies Act" or the "Act") and other applicable laws including the master circular issued by the Securities and Exchange Board of India ("SEBI") Master Circular No. SEBI/HO/CFD/DIL/1/CIR/P/2021/0000000665 dated 23<sup>rd</sup> November 2021 (as amended from time to time) ("SEBI Scheme Circular").



CIN: L29253TG1983PLC004141

**Registered Office**

6-3-648/401, 4<sup>th</sup> Floor  
 Padmaja Landmark, Somajiguda  
 Hyderabad – 500 082  
 Telangana, India  
 T: +91 40 2331 2774 / 2331 2770  
 F: +91 40 2339 3985  
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PEL is a public limited company incorporated on September 17, 1983, with Corporate Identification Number: L29253TG1983PLC004141 and having its Registered Office at IVth Floor, Padmaja Land Mark 6-3-648/401, Somajiguda, Hyderabad, Telangana, 500082. PEL is engaged in manufacturing of engineering products of iron and steel including electrical steel laminations, stator and rotor core assemblies, sub-assemblies, pole assemblies, die-cast rotors, press tools and high precision machining of various metal components. The equity shares of

PEL are listed and traded on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") (BSE and NSE collectively referred to as the "Stock Exchanges").

PCPL is an unlisted private limited company incorporated on December 07, 2011, with Corporate Identification Number U27310TG2011PTC077833 and having its registered office at IVth Floor, Padmaja Land Mark, 6-3-643/401, Somajiguda, Hyderabad, Telangana, 500082. PCPL is engaged in the manufacturing of high quality casting in grey iron, ductile iron, low carbon and alloy steel grades.

PRECL is a public limited company incorporated on 05th October 2020 having its registered office at 6-3-648/401, 4th Floor, Padmaja Landmark, Somajiguda, Hyderabad, Telangana, 500082. PRECL is set up with the object to manufacture engineering products and components.

In terms of the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") read with SEBI Scheme Circular, a report from the Committee of Independent Directors recommending the draft Scheme is required, taking into consideration, *inter alia*, that the Scheme is not detrimental to the shareholders of the Company. This Report is made in compliance with the SEBI Scheme Circular.

## II. DOCUMENTS PLACED BEFORE THE COMMITTEE OF THE INDEPENDENT DIRECTORS:

- i. Draft Scheme, duly initialled by the Company Secretary and Compliance Officer of the Company for the purpose of identification.
- ii. Valuation Report dated 15th June, 2023 ("Valuation Report") issued jointly by Mr. Niranjana Kumar, Registered Valuer - Securities or Financial Assets (Registered Valuer Registration No. IBBI/RV/06/2018/10137) and SSPA & Co., Chartered Accountants, Registered Valuer - Securities or Financial Assets (Registered Valuer Registration No. IBBI/RV-E/06/2020/126), describing, *inter-alia*, the methodologies adopted by them in arriving at the recommended Share Exchange Ratio (as defined below) and setting out its detailed computation for the proposed Scheme.

Fairness Opinion dated 15th June, 2023 ("Fairness Opinion") issued by Keynote Financial Services Limited, an Independent SEBI registered Category I Merchant Banker (SEBI Registration No. INM000003606), providing its opinion on the fairness of the Share Exchange Ratio as recommended in the Valuation Report.

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- iv. Statutory Auditors Certificate dated 15th June, 2023, issued by the Statutory Auditors of the Company i.e. M/s. Talati & Talati LLP, Chartered Accountants, (ICAI Firm Registration Number 110758W/W100377) certifying that the accounting treatment prescribed in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act
- v. Audited financial statements of PCPL as on and for the year ended 31st March 2023.
- vi. Audited financial statements of PRECL as on and for the year ended 31st March 2023.
- vii. Financial, Tax and Legal Due Diligence Reports.

### III. SALIENT FEATURE OF THE SCHEME

The Committee of the Independent Directors considered and observed the following salient features of the draft Scheme:

- i. The Scheme provides for the amalgamation of PCPL ("Amalgamating Company 1") and PRECL ("Amalgamating Company 2") with PEL ("Amalgamated Company").
- ii. The Scheme shall be effective from 1st April 2023 i.e. "Appointed Date".
- iii. Pursuant to the Scheme, the Company will issue and allot to the equity shareholders of the Amalgamating Company 1, as on the record date, such number of equity shares as determined in the Valuation Report and approved by the Board as per Share Exchange Ratio mentioned below:

*"01 (One) equity share of PEL of INR 05/- each, fully paid-up for every 55 (Fifty-Five) equity shares of PCPL of INR 10/- each, fully paid-up ("Share Exchange Ratio")*

The Amalgamating Company 2 is a wholly owned subsidiary of Amalgamated Company. Hence, upon the Scheme becoming effective and amalgamation of Amalgamating Company 2 with Amalgamated Company in terms of this Scheme, all the equity shares issued by Amalgamating Company 2 and held by Amalgamated Company and/ or its nominees shall stand cancelled and extinguished and in lieu thereof, no allotment of any shares in Amalgamated Company shall be made to any person whatsoever.

- iv. The equity shares to be issued by the Company to the shareholders of Amalgamating Company 1 on the record date, pursuant to the Scheme, will be listed and admitted to trading on the Stock Exchanges.
- v. The Company shall follow the accounting treatment for the Scheme as per the applicable method of accounting prescribed under the Indian Accounting Standards notified under Section 133 of the Act read with the applicable rules issued thereunder.

Upon the Scheme becoming effective, the Amalgamating Company 1 and Amalgamating Company 2 along with all of their assets, liabilities, contracts, employees, records, etc. being their integral part shall stand transferred to the Amalgamated Company subject to the provisions of the Scheme.



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- vii. From the Appointed Date and up to the Effective Date (as defined in the Scheme), PCPL and PRECL shall carry on their business and activities with reasonable diligence and business prudence.
- viii. The Scheme will come into effect subject to approval of Stock Exchanges, jurisdictional National Company Law Tribunal ("NCLT"), shareholders, creditors and such other statutory authorities as may be required.

#### IV. RATIONALE OF THE SCHEME

The Committee of Independent Directors noted the rationale of the draft Scheme, which is as follows:

PEL had acquired shares in PCPL originally with an objective to ensure vertical integration of businesses which would provide increased opportunities and better margins to PEL. However, due to operational and financial reasons, PEL could not complete the consolidation historically.

With a view to now achieve vertical integration and broaden its footprint across the supply chain, PEL has strategically decided to integrate the Castings Business with its operations.

PRECL was incorporated for the purpose of undertaking a greenfield project in relation to the manufacture of railway and engineering components. Since PEL (Holding Company) has undertaken the said business through Brown field project, there is no longer need of a separate corporate entity.

The amalgamation will result in simplifying the corporate structure and elimination of duplication in administrative cost and multiple record keeping thus resulting in cost savings.

**The implementation of this Scheme will result in the following benefits:**

1. Diversification of business with access to a new set of customers (domestic and international) and industries.
2. Strengthening the Company's position as a comprehensive and end-to-end machine components solution provider.
3. Access to new long-term contracts by bolstering an integrated process.
4. The transaction is expected to be EPS accretive for the shareholders

#### V. SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF THE COMPANY

The members of the Committee of Independent Directors discussed and deliberated upon the rationale and salient features of the Scheme. The Scheme is expected to be beneficial to the shareholders of the Company with the overall theme of vertical integration thereby achieving cost and operational efficiencies. The shareholders of the Company will benefit on account of a) vertical integration of the business and enhanced control over the supply chain; b) enhanced margins and profitability; c) synergies which are expected to accrue to the Company; and d) expected accretion of Earnings Per Share ("EPS").

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The Company will issue and allot equity shares, as fully paid-up to the shareholders of the Amalgamating Company 1, in accordance with the Share Exchange Ratio and in the manner as set out in paragraph III above, and in accordance with the recommendations in the Valuation Report by valuers. The equity shares to be issued by the Company to the shareholders of the Amalgamating Company 1 pursuant to the Scheme shall rank *pari passu* in all respects with the then existing equity shares of the Company.

Based on the above, the Committee of the Independent Directors is of the informed opinion that the proposed Scheme is not detrimental to the interest of the shareholders of the Company.

### VI. RECOMMENDATIONS OF THE COMMITTEE OF THE INDEPENDENT DIRECTORS

The Committee of the Independent Directors after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion and the specific points mentioned above including that the Scheme is not detrimental to the shareholders of the Company, recommends the draft Scheme for favourable consideration and approval of the Board of Directors of the Company, the Stock Exchanges, the SEBI and other statutory / regulatory authorities including NCLT.

In order for the Company to comply with the requirements of the extant regulations applicable to the listed companies undertaking any scheme of Amalgamation under the Companies Act, 2013 and SEBI Scheme Circular, this report of the Committee of Independent Directors may please be taken on record by the Board of Directors of the Company while considering the Scheme for approval and further authorization.

For and on behalf of Committee of the Independent Directors of  
Pitti Engineering Limited

*M. Gopalakrishna*

M Gopalakrishna  
Chairman of the Committee of Independent Directors  
DIN: 00088454

Date: 15<sup>th</sup> June 2023



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