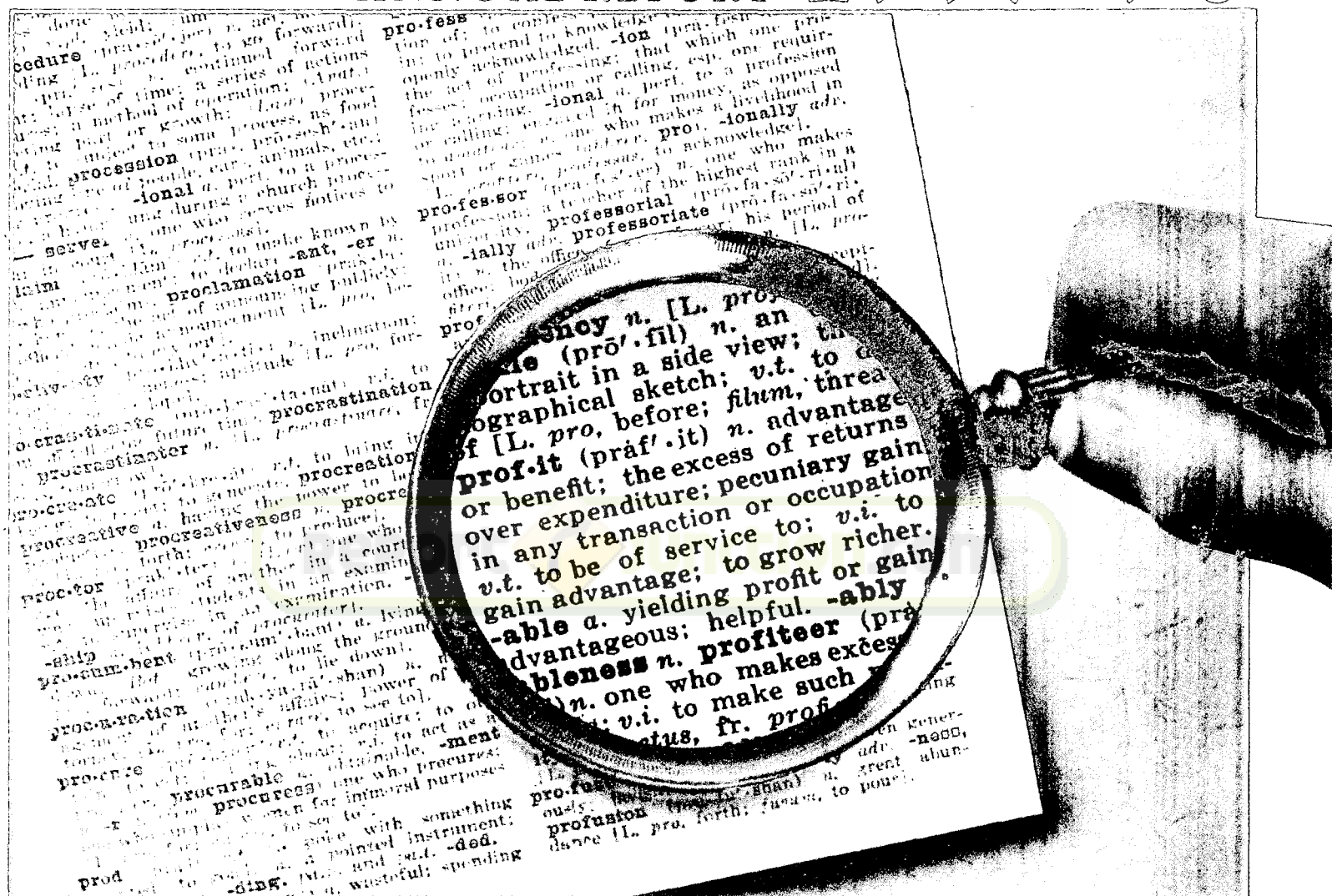


1997-98

ANNUAL REPORT



American technology. Indian expertise. World market

SMT

SOLITAIRE MACHINE TOOLS LTD



BOARD OF DIRECTORS

MR.P.J.SHETH
(CHAIRMAN & MANAGING DIRECTOR)
MR.S.KRISHNAMURTHY
MR.D.J.SHETH
MR.NIRANJAN B.AMIN
MR.A.J.SHETH
MR.H.J.BADANI
MS.SWATI H. BADANI
MS.SHILPA TANEJA
MR.ROHIT CHOTHANI

AUDITORS

K.N. AJMERA & COMPANY,
CHARTERED ACCOUNTANTS

SOLICITORS

B.AMIN & COMPANY
42-43, ALI CHAMBERS,
N.MASTER ROAD,
FORT, MUMBAI-400 023.

REGISTERED OFFICE

107, ARUN CHAMBERS
TARDEO ROAD,
MUMBAI-400 034.

PLANT

292, DHARAMSINH DESAI MARG,
CHHANI ROAD,
BARODA-390 002.

SHARE TRANSFER AGENT

INTIME SHARE SERVICES PVT LTD.,
260, A. SHANTI INDUSTRIAL ESTATE,
SAROJINI NAIDU ROAD,
MULUND (WEST),
MUMBAI-400 080.



NOTICE

NOTICE is hereby given that the Annual General Meeting of the members of the SOLITAIRE MACHINE TOOLS LIMITED will be held on Saturday, the 20th June, 1998 at 10.00 a.m. at Hotel Rosewood, Tulsiwadi, Opp. A.C. Market, Tardeo, Mumbai-400 034 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the balance sheet as on 31st March, 1998 and Profit & Loss Account for the six months ended on that date and Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr.H.J. Badani who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mrs.Swati H.Badani who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Mrs. Shilpa Taneja who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

BY ORDER OF THE BOARD

P.J.SHETH

(CHAIRMAN & MANAGING DIRECTOR)

PLACE: MUMBAI

DATE : 2ND MAY, 1998.

REGD. OFFICE:

107, ARUN CHAMBERS,
TARDEO ROAD, MUMBAI-400 034.

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NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Members are requested to communicate immediately change in their address, if any.
3. All communication in respect to the shares be addressed to share transfer agent, "M/s. Intime Share Services Pvt Ltd."
4. The Register of Members and Share Transfer Books will remain closed from Saturday, 13th June, 1998 to Saturday 20th June 1998, (Both days inclusive).

DIRECTORS REPORT

TO THE MEMBERS :

Your Directors have pleasure in presenting Annual Report of your Company together with the Audited Accounts for the Period ended 31st March, 1998.

FINANCIAL RESULTS:

The financial results of the Company for the Period under review are summarised below:

	PERIOD ENDED 31.03.98 (6 months)	(Rs. in Lacs) PERIOD ENDED 30.09.1997 (18 months)
Sales	240.24	328.99
Other Income & Increase in stocks	50.83	54.78
Gross Profit Before Depreciation and Taxation	77.53	41.73
Less: Depreciation	8.33	27.68
Taxation	10.00	NIL
Net Profit for the period	59.20	14.05
Add/Less income Tax for prior year	0.47	—
Add/Less: Profit/Loss Brought Forward from Previous Year	23.52	9.47
Balance in Profit & Loss Account	82.25	23.52

OPERATIONS:

The results for six months period ending 31st March 1998 vindicate the stand taken by company towards debonding the plant. Inspite of the prevalent recession in the industry which has affected the capital goods industry, your company has been able to not only overcome the effects of recession, but has actually substantially increased the turnover in the past six months. As can be seen the percentage of sales has gone up substantially. Similarly, the increase in net profit has also been much higher as compared to the corresponding period last year.

This has been achieved because of the confidence the customer has in the quality of the product, timely supply and competitive pricing coupled with prompt after sales service.

The demand for the company's product in the U.S.A. market continues to grow and the company has firm orders for about 24 machines for the current financial year for export to USA. As on date, about 200 machines have been exported to USA and regular demand from the US market shows the acceptance of the quality in the competitive market.

The demand for the company's product in the domestic market is also steady and the company has confirmed orders of Rs.1.60 crores at the start of the current financial year. The outlook, therefore, for the current year is very positive and your company should get cost advantage due to increased scale of production thus controlling the unit cost.

Your company participated in the Imtex-98 machine tools exhibition at New Delhi in Feb '98. During the exhibition, the first CNC Centerless Grinder developed by the company was exhibited. The response to the exhibition has been very encouraging and the numerous enquiries received at the exhibition will translate into order for the current year. Your company has been fortunate to have a committed supplier base who have continuously stood by the company constantly improving the quality of supply consistent with increased production.

The company is having excellent relations with its employees and this has helped the company to continuously improve the production quantity consistence with the quality.

You would notice that company has at present zero loans from any bank, institutions, or any other sources. The company is negotiating with a few major banks for working capital requirements necessary for the increase in production.

DIRECTORS

During the year Mr.N.V. Sheth resigned from the Board of Director of the company due to personal reasons. Mr. Sheth has been the director of company since the inception of this project. The company puts on record the wise counsel given by Mr.Sheth during his tenure as director.

Mr.H.J. Badani, Ms. Swati Badani and Ms. Shilpa Taneja retire by rotation and being eligible offers themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

A. CONSERVATION OF ENERGY

The company's operations do not involve substantial consumption of power in comparison to cost of production. However regulatory measures are there to ensure that the consumption of power is within the norms.

B. TECHNOLOGY ABSORPTION

The Company has fully absorbed the technical know-how received from USA.

FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign Exchange earning of the Company during the year 1997-98 are Rs.52,67,473.00 (F.O.B. Value) while outgoing were Rs.54,97,857.13

AUDITORS:

M/s.K.N.Ajmera & Company, Chartered Accountants held their office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The members are requested to reappoint them as Auditors of the Company till the conclusion of the next Annual General Meeting.

FIXED DEPOSIT:

During the financial year under consideration, the Company had not accepted nor renewed any deposit from public within the meaning of Section 58-A of the companies Act, 1956.

PARTICULARS OF EMPLOYEES:

None of the employees are drawing salary whose particulars are to be included in the Directors Report as required U/S 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGMENT:

Your Director's acknowledge the cooperation received from various Government agencies during the year.

FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS
SOLITAIRE MACHINE TOOLS LIMITED

P.J.SHETH
(CHAIRMAN & MANAGING DIRECTOR)

PLACE: MUMBAI

DATE : MAY 2, 1998

AUDITOR'S REPORT

REPORT TO THE MEMBERS OF SOLITAIRE MACHINE TOOLS LIMITED

We have audited the attached Balance Sheet of SOLITAIRE MACHINE TOOLS LIMITED as at 31st March, 1998 and also the Profit and Loss Account of the Company for the period ended on that date annexed thereto, and report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account subject to note No.3 regarding demand raised by Custom and Excise Authorities and disputed, Note No. 4 regarding confirmation of balances, of Notes on Accounts appearing on Schedule 'XVI' read together with Significant Accounting Policies and other notes appearing in the said Schedule and elsewhere give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 1998 and
 - ii) In the case of the Profit and Loss Account of the Profit for the period ended on that date.

As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, Issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956 we further reports that:

1. Physical verification of fixed assets is being carried out and after completion of fixed assets register and discrepancies, if any, will be adjusted thereafter.
2. None of the fixed assets of the company have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials components excluding stocks lying with third parties, have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on physical verification of the stock as compared to book records were not material and have been properly dealt with in the books of account.
6. In our opinion the valuation of stocks, is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. Company has not taken any loans secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 and from Companies under the same management, as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
8. The company has given unsecured loans to companies, listed in the register maintained under section 301 of the companies Act, 1956 on the terms and conditions as approved by the Board of Directors and the same are prime-facie not prejudicial to the interest of the Company, and there is no company under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.
9. Interest free advances given to employees are being repaid by them as stipulated.