



SOLITAIRE MACHINE TOOLS LTD

2000-2001

A N N U A L R E P O R T

BOARD OF DIRECTORS

MR. P. J. SHETH
(Executive Chairman)
MR. S. KRISHNAMURTHY
MR. D. J. SHETH
MR. A. J. SHETH
(Jt Managing Director)
MR. H. J. BADANI
(Jt Managing Director)
MR. ROHIT CHOTHANI
MS. SHILPA TANEJA
MS. SWATI BADANI
(Alternate Director to MR.D.J.SHETH)

AUDITORS

K. N. AJMERA & COMPANY
CHARTERED ACCOUNTANTS

BANKERS

STATE BANK OF INDIA,
MANDVI MAIN BRANCH,
BARODA - 390 017.

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 SPECTRUM REGISTRY
PRIVATE LIMITED,
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 30th June, 2001 at 10:00 a.m. at Senate Room, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai - 400 021** to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2001 and Profit and Loss Account for the year ended on that date and Directors' Report and Auditors' Report thereon.
2. To declare dividend for the year 2000-2001.
3. To appoint a Director in place of **Mr. S. Krishnamurthy** who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of **Ms. 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 fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act as amended from time to time, the consent of the Company be and is hereby accorded to the appointment of Mr. Prafull Sheth as Executive Chairman of the Company for the period of five years w.e.f. 1st July, 2001, upon and subject to the terms and conditions including the remuneration proposed to be paid and provided to him as contained in the agreement to be entered between the Company and Mr. Prafull Sheth, a draft whereof is placed before the meeting and for the purpose of identification is superscribed by the Chairman hereof.

RESOLVED FURTHER THAT in the event of loss, absence or inadequacy of profits in any financial year of the Company, the remuneration payable to Mr. Prafull Sheth shall be as specified in the Explanatory Statement enclosed herewith.

RESOLVED FURTHER THAT Mr. Prafull Sheth shall not be liable to retire by rotation during his tenure as Executive Chairman of the Company.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do all such acts, deeds, matters, and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution."

Place : **Mumbai**

Date : 30th April, 2001

Regd. office : 107, Arun Chambers,
Tardeo Road,
Mumbai - 400 034.

By order of the Board

P. J. SHETH
Executive Chairman

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF SELF 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 Spectrum Registry Private Limited".
4. The Register of Members and Share Transfer Book will remain closed from Saturday, the 23rd June, 2001 to Saturday, the 30th June, 2001 (Both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5.

Mr. P. J. Sheth is the promoter and Chairman of the Company and has continuous association with the Company Since inception. Mr. Prafull Sheth with his vast and diversified knowledge and experience in the Machine Tool Industry is a natural choice for leading the Management Team. Mr. Prafull Sheth present tenure as Executive Chairman expires on 30th June, 2001. The Board of Directors have reappointed Mr. Prafull Sheth as Executive Chairman for the period of five years w.e.f. 1st July, 2001. The Ordinary Resolution is to obtain members approval to the aforesaid appointment and remuneration payable to Mr. Prafull Sheth as Executive Chairman of the Company.

The Terms of appointment and remuneration payable to Mr. Prafull J Sheth as Executive Chairman is as follows:

- (i) **Salary :** Scale of Rs. 10,000-30,000 per month; with authority to the Board of Directors to fix salary within scales from time to time. The annual increment will be merit based and takes into account the performance of the Company.
- (ii) **Perquisites and allowances:**
 - (a) In addition to the salary payable, the appointee shall be entitled to perquisites and allowance like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowances together with reimbursement of expenses or allowance for utilities such as gas, electricity, water, furnishing, repairs, society charges, property tax, medical reimbursement, medical /accident insurance, leave travel concession for himself and his family; club fees and other perquisites and allowances in accordance with rules of the Company or as may be agreed by the Board of Directors and the appointee; such perquisites and allowances will be subject to a maximum of twice the annual salary of the appointee.
 - (b) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

- (c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, gratuity payable as per rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
- (iii) **Minimum Remuneration :**
Notwithstanding anything to the contrary herein contained, if in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above.
- (iv) The terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may, in its descretion, deem fit within the maximum amount payable to the appointee in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.
- (v) The Agreement may be terminated by either party giving the other party six months notice, or the Company paying six months salary in lieu of the notice.
- (vi) If at any time the appointee ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Executive Chairman of the Company.
- (vii) The appointee shall not be entitled to supplement his earnings under this Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

Mr. Ashok Sheth, Mr. Dinesh Sheth, Mr. Hemendra Badani and Mrs. Swati H. Badani are related to Mr. P. J. Sheth and all are concerned or interested in the passing of this resolution. No other Director is concerned or interested in this resolution.

The terms of remuneration as set-out hereinabove may be regarded as an abstract of the terms of the contract and memorandum of concern or interest for the purpose of section 302 of the Companies Act, 1956.

Place : **Mumbai**

By order of the Board

Date : 30 th April, 2001

Regd. Office : 107, Arun Chambers
Tardeo Road
Mumbai - 400 034.

P. J. Sheth
Executive Chairman

DIRECTORS REPORT

TO THE MEMBERS :

Your Directors have pleasure in presenting Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS :

The financial results of the company for the year under review are summarised below :

	(Rs. in Lacs) YEAR ENDED 31st March 2001 (12 months)	(Rs. in Lacs) YEAR ENDED 31st March 2000 (12 months)
Sales	301.06	260.24
Other Income & Increase in stocks	14.70	22.77
Gross Profit Before Depreciation and Taxation	52.02	27.04
Less : Depreciation	23.73	20.61
: Taxation	2.25	1.00
Net Profit for the year	26.04	5.43
Add/Less : Income Tax for prior year		5.24
Add/Less: Profit/Loss brought Forward from previous year	116.88	116.69
Balance in Profit & Loss Account	142.92	116.88

OPERATIONS :

Members are aware of the general recessionary trend in the industry, particularly the Capital goods industry.

Under the circumstances, your company has turned satisfactory results increasing the Sales turnover by 16% and Net Profit by 480%. This has been achieved largely due to the excellent goodwill your company's products enjoy with the customers and due to stringent cost cutting measures employed by the company.

Your company participated in the National Machine Tools Show organised by **IMTMA** in January 2001 at Pragati Maidan, New Delhi and exhibited future range of machines. The response has been encouraging and would result in renewed business subject to the fact that the general economy grows at the expected rate and investments are made in the Infrastructure projects.

Your company has now entered into a formal agreement with M/s. Delta - Tau Datasystems Inc. of USA and have started marketing the products. This would result in further growth in future where more and more customers will go for CNC systems.

The new assembly facility at the plant has now become fully operational and your company has capacity to increase the output without any further investment in Infrastructure.

The rebuilding capacity has also been enhanced and the company is getting more business on this account.

The relations with the employees remained cordial during the year under review.

DIVIDEND

Your directors recommend a dividend of 4% on the paid up Equity Capital for the year ended 31st March, 2001 subject to members approval.

DIRECTORS :

Mr. Niranjan B. Amin resigned from the Board as Director due to professional reasons. Mr. Niranjan Amin has contributed immensely to the Company during his long association and Board of Directors put on record their sincere appreciation for the services rendered by him during his tenure as Director in the company.

Mrs. Swati H. Badani has also resigned as Director in the Company and Board of Directors have appointed her alternate Director to Mr. D. J. Sheth who is settled in U.S.A. and is not able to attend Board Meetings regularly.

SUBSIDIARY COMPANY :

The Directors' report, Auditors Report and Audited Accounts for the year ended 31st March, 2001 of Eugene Marketing Limited is appended to this Report.

During the year under review, your Company further increased shareholdings upto 76% by purchasing equity shares from existing shareholders of Shruchi Marketing Limited; thereupon making it a subsidiary company. The Directors' Report, the Auditors' Report and Audited Account for the year ended 31st March, 2001 of the Shruchi Marketing Limited is appended to this Report.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:

The Directors state that -

1. In the preparation of the Annual Account, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year covered under this Report and of the profit of the Company for the year;
3. The Director had taken proper and sufficient care for the maintenance of adequate accounting in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Director had prepared the Annual Account on a going concern basis.

DEPOSITORY SYSTEM FOR SHARES :

Company has entered into agreements with the both depositories presently available in the country, viz. (i) National Securities Depositories Limited and (ii) Central Securities Depositories Limited for facilitating holding and trading of Company's Equity Capital under dematerialised system. Securities and Exchange Board of India has made electronic trading compulsory for Company's Equity Share w.e.f. 18-02-2000. Your Directors strongly recommend conversions of existing physical holdings into

dematerialised holdings for enjoying benefits associated with electronic holding/trading of Securities.

CORPORATE GOVERNANCE :

The Stock Exchanges have introduced Clause 49 in the Listing Agreement providing detailed guidelines for the compliance of corporate governance code made applicable to the listed Companies. For your Company, the time limit for compliance of Clause 49 in the listing agreement is before 31st March, 2003.

However, your company wishes to take steps for compliance without waiting for deadline and is hopeful to implement clause 49 substantially during the current financial year.

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

A. CONVERSATION 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.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange earnings of the company during the year 2000-01 were Rs. 95,58,433.00 while outgoings were Rs. 47,68,805.16.

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 are required U/S 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT :

Your Directors' acknowledge the co-operation received from various Government agencies, Bank, Customers, Suppliers and Employees during the year.

PLACE : MUMBAI

BY ORDER OF THE BOARD

DATE : 30th April, 2001.

P. J. SHETH
Executive Chairman

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, 2001 and also the Profit and Loss Account of the Company for the year 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. In our opinion, the profit and loss account and balance sheet complies with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ; except compliance of Accounting Standard 15 of the Institute of Chartered Accountants of India in respect of Gratuity liability and leave encashment retirement benefit to employees (vide A-(g)) accounting policies.
- d. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- e. In the absence of required confirmations, we have relied on the certificate provided to us by the company that none of the directors is disqualified u/s 274 (1) (g) from being appointed as a director of the Company.
- f. 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 Notes on Accounts appearing on Schedule 'XVII' 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, 2001 and
 - ii) In the case of the Profit and Loss Account, of the 'Profit' for the year 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 report that ;

1. Fixed Assets Register showing particulars including quantitative details and situation of fixed assets are being updated. Physical verification will be carried out and after completion of fixed assets register, discrepancy, 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 preceeding 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 granted Un-secured loans to its subsidiary companies and to company listed in the register maintained under section 301 of the Companies Act, 1956 without any stipulation to the rate of interest and other terms and conditions hence we are unable to express our opinion in the matter.
9. Interest free advances given to employees are being repaid by them as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets, and with regard to the sale of goods.
11. According to the information and explanations given to us there are no transactions of purchase of goods materials and sale of goods materials and services aggregating during the year to Rs. 50,000.00 or more in respect of each party in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
12. As explained to us the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The Company has not accepted deposits during the year from the public within the meaning of Section 58-A of the Companies Act, 1956 and rules framed thereunder.
14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company has no by-product as explained.