



SOLITAIRE MACHINE TOOLS LTD.



17th

Annual Report

2008-09

BOARD OF DIRECTORS

Mr. P.J. Sheth	Chairman
Mr. A.J. Sheth	Vice Chairman & Managing Director
Mr. H.J. Badani	Managing Director
Ms. Shilpa Taneja	Director
Mr. A.J. Kothari	Director
Dr. Amita Shah	Director
Mrs. Rashmi Desai	Director
Ms. Padmaja K. Mukundan	Director

CORPORATE MANAGEMENT

Mr. A.J. Sheth	Vice Chairman & Managing Director
Mr. H.J. Badani	Managing Director
Mr. N.M.B.Khan	Dy. General Manger(Finance & Corporate Affairs)
Mr. Harsh Badani	Manager-Manufacturing

REGISTERED & CORPORATE OFFICE

107, ARUN CHAMBERS, TARDEO ROAD
MUMBAI-400 034
Tel: 022 2351 3012/ 2352 0363
Fax:022 2351 6853

PLANTS**PLANT I:**

292, DHARAMSINH DESAI MARG
CHHANI ROAD, VADODARA-390 002.
Tel: 0265 277 2415/ 277 3585
Fax: 0265 277 1927
Email: smtgrinders@vsnl.net

PLANT II

A-24/25, KRISHNA INDUSTRIAL ESTATE,
GORWA, VADODRA-390 016
Tel: 0265 658 0010

WEBSITE

www.smtgrinders.com

AUDITORS

AJMERA AJMERA & ASSOCIATES
CHARTERED ACCOUNTANTS
MUMBAI

BANKER

AXIS BANK LTD.
VARDHMAN COMPLEX, OPP. G.E.B.
RACE COURSE CIRCLE (NORTH),
VADODARA-390 007.

SHARE TRANSFER AGENT

LINK INTIME INDIA PRIVATE LIMITED,
C-13, PANNALAL SILK MILLS COMPOUND,
L.B.S. MARG, BHANDUP (WEST)
MUMBAI-400 078

SECRETARIAL CONSULTANT

SACHIN CHHADAWA
PRACTICING COMPANY SECRETARY
MUMBAI

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 27th June, 2009 at 10.30 a. m. at Senate Room, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai 400 021 to transact the following business:

1. To receive, consider and adopt the Balance Sheet as on March 31, 2009 and Profit and Loss Account for the year ended on that date and Directors' report and Auditors Report thereon.
2. To appoint a director in place of Mr. P. J. Sheth, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mrs. Rashmi Desai, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member of the Company under Section 257 of the Companies Act, 1956, in writing, proposing her candidature for the office of the Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation as per the provisions of the Companies Act, 1956 and Articles of Association of the Company."

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Ms. Padmaja K. Mukundan, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member of the Company under Section 257 of the Companies Act, 1956, in writing, proposing her candidature for the office of the Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation as per the provisions of the Companies Act, 1956 and Articles of Association of the Company."

For **SOLITARE MACHINE TOOLS LIMITED**

Sd/-

P.J. Sheth
Chairman

Regd. Office:

107, Arun Chambers
Tardeo Road, Mumbai-400 034

Place: Mumbai

Date: 9th May, 2009

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 OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to advise immediately any change in their address to the Company's Registered Office or M/s Link Intime India Private Limited, Mumbai, quoting their registered folio number. Shareholders holding shares in dematerialized form shall address their communication to their respective depository participant only.
3. All communication in respect to the shares be addressed to share transfer agent "Link Intime India Private Limited" at C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (West), Mumbai 400078.
4. The Register of Members and Share transfer Books will remain closed from Saturday, the 20th June, 2009 to Saturday, the 27th June, 2009 (both days inclusive).
5. Any queries regarding Accounts should be communicated in writing at the Registered office of the company at least seven days in advance before the date of Annual General meeting.
6. The Company's shares are listed at Mumbai and Vadodara Stock Exchanges.
7. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business to be transacted at the meeting is annexed to this notice.

For **SOLITARE MACHINE TOOLS LIMITED**

Sd/-

P.J. Sheth
Chairman



Regd. Office:

107, Arun Chambers
Tardeo Road, Mumbai-400 034

Place: Mumbai

Date: 9th May, 2009

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

As required by section 173(2) of The Companies Act, 1956 the following statement sets out all material facts relating to the Special Business under item No. 4 & 5 mentioned in the accompanying Notice dated 9th May, 2009 and should be taken as forming part of it.

Item No. 4

Mrs. Rashmi Desai was appointed as an Additional Director of the Company on 31st July, 2008. Mrs. Rashmi Desai is one of the Independent Directors of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mrs. Rashmi Desai will hold office as an Additional Director upto the date of this Annual General Meeting.

The Company has received a notice in writing from a member proposing the candidature of Mrs. Rashmi Desai for the office of the Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Considering this, your Directors recommend passing the said resolution.

None of the directors except Mrs. Rashmi Desai is interested in this resolution.

Item No. 5

Ms. Padmaja K. Mukundan was appointed as an Additional Director of the Company on 31st July, 2008. Ms. Padmaja K. Mukundan is one of the Independent Directors of the Company. Pursuant to Section 260 of the Companies Act, 1956, Ms. Padmaja K. Mukundan will hold office as an Additional Director upto the date of this Annual General Meeting.

The Company has received a notice in writing from a member proposing the candidature of Ms. Padmaja K. Mukundan for the office of the Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Considering this, your Directors recommend passing the said resolution.

None of the directors except Ms. Padmaja K. Mukundan is interested in this resolution.

DIRECTORS' REPORT

TO THE MEMBERS:

Your Directors have pleasure in presenting 17th Annual Report of your company together with the Audited Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS:

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

	(Rs. in Lacs) Year Ended March 31, 2009	(Rs. in Lacs) Year Ended March 31, 2008
Sales (Net)	757.05	883.47
Other Income	17.64	15.44
(Increase)/ Decrease in stocks	(131.75)	25.49
Cash Profit Before Depreciation and Taxation	163.25	242.92
Less: Depreciation	64.73	59.60
Taxation	30.00	57.00
Fringe Benefit Tax	2.00	1.62
Add/Less: Deferred Tax	3.59	6.59
Net Profit after Tax	62.22	118.41
Add: Profit brought Forward from Previous Year	313.56	245.01
Profit available for appropriation	375.78	363.42
Proposed Dividend	-	34.06
Corporate Tax on Proposed Dividend	-	5.78
Transfer to General Reserve	-	10.00
Balance Carried to Balance Sheet	375.78	313.56

DIVIDEND:

In view of the uncertainty prevailing in the Industry, your board has considered it prudent to skip the dividend for the year under review.

OPERATIONS:

The year under review has seen sudden drop in growth of the automobile, ancillaries and other engineering industries.

Though the Company had enough orders in hand to meet target set for the year, several customers asked the Company to hold on to the product or defer the deliveries to the next year. This has resulted in the Company holding several semi-finished machines whose order value would have been over Rs.4 Crores.

As the production is planned in advance, the Company is carrying substantial inventories which, of course, will be used during current year.

The Company has manufactured 2 machines based on Bocca technology & know how, which would be delivered during the current year.

The Company has completed the construction of plant-2 which will be fully utilised once the activities picks up.

The Company thanks the customers and suppliers who have helped during the current lean phase.

The Company has also received excellent support from its Bankers.

The Directors are confident that the present lean phase is temporary and the growth as planned earlier will be achieved.

DIRECTORS:

Mr. P. J. Sheth, Director of the company is liable to retire by rotation being eligible, offers himself for re-appointment. The Board recommends his reappointment. The Board of Directors are duly constituted.

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

The Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to the material departures.
- (ii) That the directors have 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 and of the profit and loss of the Company for that period.
- (iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

Report on Corporate Governance and Management Discussion and Analysis Reports along with Certificate of the Company Secretary in Practice pursuant to clause 49 of the Listing Agreement with the Stock Exchanges has been included in the report. Your company has been practising the principle of good Corporate Governance over the year. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

b. TECHNOLOGY ABSORPTION:

The company has fully absorbed the technical know-how received from USA and Italy.

c. FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign exchange earnings of the company during the year 2008-2009 were Rs.162.00 Lacs (Previous Year Rs.66.02 Lacs) while outgoings were Rs.26.19 Lacs(Previous Year Rs30.95 Lacs).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORTS:

The Management Discussion and Analysis on Company's Performance industry trends and other material changes with respect to company wherever applicable are annexed hereto and forms part of the report.

AUDITORS:

M/s Ajmera Ajmera & Associates, Chartered Accountants, Mumbai hold their office until the conclusion of the ensuing Annual General meeting and are eligible for reappointment. The members are requested to re-appoint them as Auditors of the Company till the conclusion of the next Annual General meeting.

COMPLIANCE CERTIFICATE:

The secretarial compliance certificate pursuant to the provision of Sec. 383A(1) of the Act, is obtained from Mr. Sachin Chhadawa, Practicing Company Secretary, Mumbai and is attached herewith for your kind perusal and forms part of this Director's Report.

FIXED DEPOSIT:

During the financial year under consideration, the Company had not accepted nor renewed any deposits 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.

PERSONNEL & INDUSTRIAL RELATIONS:

Relations with all employees were cordial and congenial atmosphere prevailed. Your Directors acknowledge the committed efforts of the employees at all levels and their satisfying contribution in management and company affairs.

INSURANCE:

Your Company continued to cover all assets mainly; plant & machinery, building, materials, furniture & fixtures, employees for the possible risks like fire, flood, public liability, break-down, terrorism, Earthquake and accidents.

INVESTOR EDUCATION AND PROTECTION FUND:

The Company has transferred the amount of Rs. 90,169/- to Investor Education and Protection Fund from unpaid dividend account on 6th August, 2008.

ACKNOWLEDGEMENT:

Your Director's take this opportunity to thank the customers, shareholders, suppliers, bankers, financial institutions, and central and state government for their continued support to the company. The Directors' also wish to place on record their appreciation of hard work, dedication and commitment of the employees.

BY ORDER OF THE BOARD

Date: 9th May, 2009
Place: Mumbai

P.J. SHETH
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development:

The Company is part of the industry broadly known as Capital Goods. The Capital Goods Industry consists of various products in different segments like Textiles Machinery, Chemicals Plants and Automobiles and ancillary manufacturing. The Company is part of Capital Goods Industry known as Machine Tools Industry catering to various segments as explained above. Being part of Capital Goods Industry, fortunes of company is directly linked to the growth and progress of the industry to which it caters. The other relevant factors having bearing on the industry are government policies, import export policies, and incentive for investment available to the industries.

The Centerless Grinders manufactured by the company are used in the industry like Automobile, Automobile Ancillaries, Textiles Machinery, Steel Industry, Bearing Industry etc.

2. Opportunities and Threats:

The growth opportunity for the machine tools industry is in direct proportion to the industrial growth of the country. During the last few years, the phenomenal growth in Automobiles Industry has largely contributed to the growth of machine tools industry and opportunity lies in the further growth anticipated in the Automobiles Industry as several multinational car manufacturer shift their production base to India. Another potential growth opportunity lies in out sourcing of Automobile ancillary products from India, which has tremendous growth potential in the coming years.

The major threat to the growth in India is basically from the strong slow down of the economy. The recovery process will be slow and will need all efforts on streamlining the production.

3. Segment wise Performance:

Presently, company is dealing in single segment activity namely Machine Tools.

4. Outlook:

The long-term outlook for the industry is optimistic based upon the product innovation and cutting age technology for sustaining growth. The export market especially to U.S.A. will sustain and an additional avenue is opened for exports to Europe. The domestic demand is stagnant at present but likely to grow in 6/8 months.

5. Internal Control Systems and Their Adequacy:

Considering the size and nature of the business, presently adequate internal control systems are in place. However, as and when company achieves further growth and higher level of operations, company will review the internal control system to match with changed requirement.

The company has proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against unauthorized use or disposition and that transaction are authorized and recorded correctly.

The company has constituted Audit Committee consisting of non-executive and independent Directors to look into various aspects of Accounts. The company has a clearly defined organization structure in place.

6 The Financial and Operational Performance:

The financial statement is in confirmation with the provisions of the Companies Act, 1956 and applicable accounting standard recommended by the Institute of Chartered Accountants of India. The financial statement reflects the genuine desire for the transparency and best judgment for the estimates made on prudent and reasonable bases to correctly reflect the true and fair affairs of the company.

7 Human Resource Development:

The company believes that the main strength of any organisation is its people. It is the people who build the system and create a climate to suit the growth and excellence in the company. The industrial relations, during the year were cordial.

8 Cautionary statement:

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

REPORT ON CORPORATE GOVERNANCE:**Company's Philosophy on Corporate Governance:**

Solitaire Machine Tools Limited believes that good Corporate Governance is essential to achieve long-term corporate goals, enhance shareholders' value and attain highest level of transparency. The Company is committed to achieve the highest standard of Corporate Governance, accountability and equity in all facets of its operations and in all interaction with stakeholders. The Company believes that all its operations and actions must serve the underlined goal of enhancing customers' satisfaction and shareholders' value over a sustained period of time.

I. Board of Directors:

- A.** The Board of Directors comprises two Executive Directors (both are Executive Directors and Managing Directors) and six non-executive directors.

During the year, four Board Meetings were held on 26th April, 2008, 31st July, 2008, 26th October 2008 and 31st January, 2009.

- B.** The Composition of the Board of Directors, their attendance at the board meeting during the year and at the last Annual General Meeting along with number of other directorships, committee chairmanship/memberships is as follows:

Name of Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM held on 14-06-2008	No of other Directorship	Committee Membership Chairmanship	
					Member	Chairman
1. Mr. P. J. Sheth	Promoter and non Executive	4	Yes	2	1	1
2. Mr. A. J. Sheth	Promoter MD and Executive	4	Yes	-	1	-
3. Mr.H. J. Badani	Promoter MD and Executive	1	Yes	2	-	-
4. Ms. Shilpa Taneja	Promoter and non Executive	3	Yes	1	3	1
5. Mr. A. J. Kothari	Independent	2	Yes	1	2	-
6. Ms Amita S. Shah	Independent	1	Yes	-	1	-
7. Ms. Rashmi S Desai	Independent	1	No	-	-	-
8. Ms. Padmaja K. Mukundan	Independent	2	Yes	-	1	1

CMD Chairman & Managing Director, **ED** Executive Director, **WTD** Wholetime Director.

NED - Non-Executive Director, **ID** Independent Director

Except sitting fees, no other remuneration is paid to Non-Executive Directors. Leave of absence is granted to the directors absent for meetings.

C. Appointment of Directors:

The brief particulars of the Directors of the Company retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under:

Mr. P. J. Sheth, Director of the Company retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting.

D. Code of Conduct:

The Company has laid down a code of conduct for all Board Members and senior management personnel of the company. The code of conduct is available on the website of the company at www.smtgrinders.com

II. Audit Committee:

Terms of Reference:

The Audit Committee comprises of three Non-Executive Directors under the Chairmanship of Ms. Padmaja Mukundan, the other members in the Committee being Mrs. Shilpa Taneja and Mr. Anil Kothari. All the members of the Audit Committee are financially literate.

During the year four Audit Committee Meetings were held on 26th April 2008, 31st July 2008, 20th October 2008 and 31st January 2009

The attendance record of Audit Committee members is given below:

Name of the Directors	No. of Meetings		Remarks
	Held	Attended	
1. Mr. Anil Kothari	4	2	Reconstituted on 31-07-2008
2. Mr. Shilpa Taneja	4	4	
3. Ms. Padmaja Mukundan	4	3	

This Committee comprises of two independent Directors and one promoter.

The Audit Committee is responsible for:

- Overseeing the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- To recommend the appointment of statutory auditors and fixation of their fees.
- Review of Accounting and financial policies and practices.
- Review of Internal Control Systems.
- Reviewing with the Management, the Quarterly and Annual Financial Statements before submission to the Board, to discuss their findings, suggestions and other related matters and to give recommendations on any such matter connected herewith which will be binding on the Board.
- To review the Company's financial and risk management policies, particularly relating to foreign exchange exposure.
- The Audit Committee shall have authority to investigate into any matter in relation to the items specified in Section 292A or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.

II. Subsidiary Companies:

There are two subsidiary companies which are as follows:

- Shruchi Marketing Limited
- JBS Machinery Corporation

IV. Other Disclosures:

A. Disclosure of Related Party Transactions:

All related party transactions have been entered into in the ordinary course of business and were placed periodically before the Audit Committee and the Board. All transactions with the related parties or others were on an arm's length basis.

B. Disclosure of Accounting Treatment:

All Accounting Standards mandatorily required have been followed in preparation of financial statements and