



SOLITAIRE MACHINE TOOLS LTD.

12th ANNUAL REPORT

2003-2004

BOARD OF DIRECTORS	Mr. P. J. SHETH (Executive Chairman) Mr. ROHIT CHOTHANI Mr. D. J. SHETH Ms. SHILPA TANEJA Mr. A. J. KOTHARI Dr. AMITA SANDIP SHAH Ms. SWATI BADANI (Alternate Director to Mr. D. J. Sheth) Mr. A. J. SHETH (Managing Director) Mr. H. J. BADANI (Managing Director)
AUDITORS	AJMER A JMER & ASSOCIATES CHARTERED ACCOUNTANTS MUMBAI.
BANKER	STATE BANK OF INDIA, MANDVI MAIN BRANCH, VADODARA – 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, VADODARA – 390 002.
SHARE TRANSFER AGENT	INTIME SPECTRUM REGISTRY LIMITED, C-13, PANNALAL SILK MILL COMPOUND, L. B. S. MARG, BHANDUP (WEST) MUMBAI – 400 078.

SUMMARISED BALANCE SHEET

(Rupees In Lacs)

What the Company owned		As March 31, 2004	At March 31, 2003
1. NET FIXED ASSETS		508.77	442.08
2. INVESTMENTS		21.21	15.55
3. NET CURRENT ASSETS		211.57	287.24
4. TOTAL ASSETS (NET)		741.55	744.87
What the Company owed			
1. LOANS		58.82	83.87
2. NET WORTH		593.08	577.02
Represented by Share Capital Rs.454.21Lacs (P.Y.454.97 Lacs)			
Reserves 138.87Lacs (P.Y.122.05 Lacs)			
3. DEFERRED TAX LIABILITY		89.65	83.98
4. TOTAL FUNDS EMPLOYED		741.55	744.87

SUMMARISED PROFIT AND LOSS ACCOUNT

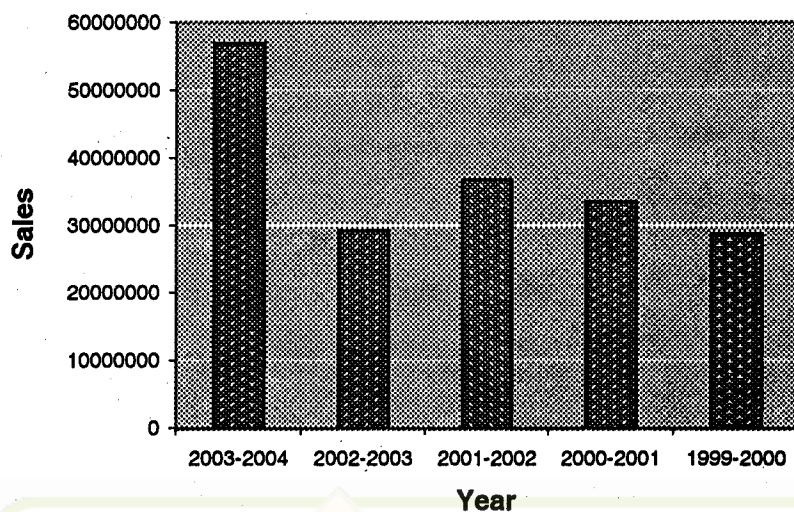
(Rupees In Lacs)

	2003-2004	2002-2003
1. Income		
Sale of products and other income	553.56	324.41
Less : Excise duty and sales Tax	83.41	40.44
	470.15	283.97
2. Expenditure		
Raw Material consumed	234.46	125.70
Salary, Wages etc	37.10	30.20
Manufacturing & other Exp	101.26	71.99
Depreciation	31.09	28.80
Interest	5.15	9.11
TOTAL EXPENDITURE	409.06	265.80
3. Profit before Tax	61.09	18.17
4. Tax i) Current	(17.00)	(5.50)
ii) Deffered	(5.66)	(3.12)
5. Income Tax for earlier year/Tax provision w/Back	(1.44)	2.80
6. Profit after Tax	36.99	12.35
7. Balance brought forward from previous year	102.01	101.11
	139.00	113.46
8. Appropriation		
i) Capital Redemption Reserve	0.42	11.44
ii) Proposed Dividend	18.17	-
iii) Tax on proposed Dividend	2.33	-
iv) General Reserves	4.00	-
v) Balance carried to Balance Sheet	114.08	102.02
	139.00	113.46

Solitaire Machine Tools Limited

Operation Chart for the last five years

<u>Expenses</u>	<u>2003-2004</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1999-2000</u>
Sales	57011508	29223444	36777443	33442000	28773002



<u>Expenses</u>	<u>3/4</u>	<u>2/3</u>	<u>1/2</u>	<u>00-01</u>	<u>99-00</u>
Raw Material Consumed	23446197.9	12570321	12894571	11579575	8062563
Payment/Provision for employees & Directors' Remuneration	3709876	3020753	3075449	3021042	2644604
Manufacturing & other Exp.	10640938.1	7525927	11702024	11219742	10527820
Misc. expenses written off		583268	554311	554311	612569
Depreciation	3108941	2880318	2814732	2373340	2061418
Taxation / Provision	2122254.01	1142340	1217111	225000	-424205
Net Profit	3698659	1234618	2123231	2604664	18672

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 July 31, 2004 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, 2004 and Profit and Loss Account for the year ended on that date together with the Directors' Report and the Auditors' Report thereon.
2. To declare dividend for the year 2003-04.
3. To appoint a director in place of Ms. Shilpa Taneja, who retires by rotation, and being eligible, offers herself for reappointment.
4. To appoint a director in place of Mr. Anil Kothari, who retires by rotation, and being eligible, offers himself for reappointment.
5. 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:

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 Members be and is hereby accorded to the appointment of Mr. Ashok J. Sheth as Managing Director of the Company for the period of five years w.e.f. January 01, 2004, 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. Ashok J. 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. Ashok J. Sheth shall be as specified in the Explanatory Statement enclosed herewith.

RESOLVED FURTHER THAT Mr. Ashok J. Sheth subject to the provisions of Section 255 of the Companies Act, 1956 shall not be liable to retire by rotation during his tenure as Managing Director of the Company.

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

7. 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 Members be and is hereby accorded to the appointment of Mr. Hemendra J. Badani as Managing Director of the Company for the period of five years w.e.f. January 01, 2004, 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. Hemendra J. Badani, 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. Hemendra J. Badani shall be as specified in the Explanatory Statement enclosed herewith.

RESOLVED FURTHER THAT Mr. Hemendra J. Badani subject to the provisions of Section 255 of the Companies Act, 1956 shall not be liable to retire by rotation during his tenure as Managing Director of the Company.

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

For **SOLITAIRE MACHINE TOOLS LIMITED**

Sd/-
P. J. Sheth
Executive Chairman

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

Place : Mumbai

Date : 26th April, 2004

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 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 Limited.", C13, 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 July 24, 2004 to Saturday, the July 31, 2004 (both days inclusive).
5. The Company has entered into agreements with both the depositories viz. National Securities

Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for custody and Dematerialisation of securities. Members having Physical holdings can avail the depository facilities by approaching any of the depository participants of NSDL or CDSL.

6. The Dividend on the Equity Shares, if declared at the Annual General Meeting (AGM) shall be paid to those members whose name appears in the Register of Members of the Company on the date of AGM and as per the list of beneficial owners provided by NSDL and CDSL as on that date.
7. The Company's shares are listed at Mumbai and Vadodara Stock Exchanges.
8. 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.

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

Item No. 6

In accordance with the provisions of Schedule XIII, the appointment of Mr. Ashok J. Sheth as Managing Director requires shareholders approval by passing ordinary resolution at the ensuing Annual General Meeting. The following are the information required to be disclosed in accordance with Schedule XIII.

Mr. Ashok J. Sheth, whose previous appointment as Managing Director ended on 31st December, 2003 was re-appointed as Managing Director by the Board of Directors at their meeting held on 16th February, 2004. Mr. Ashok J. Sheth is a qualified Mechanical Engineer with 35 years of experience in the machine tools industry with international exposure. The incumbent Managing Director will be stationed at Vadodara plant.

The terms of appointment and remuneration payable to Mr. Ashok J. Sheth as Managing Director is as follows:

- i) Salary: scale of Rs. 15000-30000 per month; with authority to the Board of Directors to fix salary within scale 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 allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses or allowances 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 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 costs.

Provision for the use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.

- (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 payables 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) 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 discretion, deem fit within the maximum amount payable to the appointee in accordance with Schedule XIII to the Act or any amendments made hereinafter in this regard.
- iv) 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.
- v) If at any time the appointee ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director of the Company.
- vi) 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.

Your Directors recommend re-appointment of Mr. Ashok J. Sheth as Managing Director to ensure smooth functioning, growth and prosperity to the company.

None of the Directors except Mr. Ashok J. Sheth, Mr. P. J. Sheth, Mr. D. J. Sheth are concerned or interested in the ordinary Resolution.

The draft agreement between the company and Mr. Ashok J. Sheth is available for inspection at the Registered office of the Company between 11:00 a.m. to 1:00 p.m. on any working day till the date of Annual General Meeting.

Item No. 7

In accordance with the provisions of Schedule XIII, the appointment of Mr. Hemendra J. Badani as Managing Director requires shareholders approval by passing ordinary resolution at the ensuing Annual General Meeting. The following are the information required to be disclosed in accordance with Schedule XIII.

Mr. Hemendra J. Badani, whose previous appointment as Managing Director ended on 31st December, 2003 was re-appointed as Managing Director by the Board of Directors at their meeting held on 16th February, 2004.

Mr. Hemendra J. Badani has been actively involved with the operations at plant at Vadodara having exposure in the finance and administration. The incumbent Managing Director will be stationed at Vadodara plant.

The terms of appointment and remuneration payable to Mr. Hemendra J. Badani as Managing Director is as follows:

- i) Salary: scale of Rs. 15000-30000 per month; with authority to the Board of Directors to fix salary within scale 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 allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses or allowances 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.
- Provision for the use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.
- (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 payables 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) 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 discretion, deem fit within the maximum amount payable to the appointee in accordance with Schedule XIII to the Act or any amendments made hereinafter in this regard.
- iv) 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.
- v) If at any time the appointee ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director of the Company.
- vi) 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.

Your Directors recommend re-appointment of Mr. Hemendra J. Badani as Managing Director to ensure continuity, growth and prosperity to the company.

None of the Directors except Mr. Hemendra J. Badani and Mrs. Swati Badani are concerned or interested in the ordinary Resolution.

The draft agreement between the company and Mr. Hemendra J. Badani is available for inspection at the Registered office of the Company between 11:00 a.m. to 1:00 p.m. on any working day till the date of Annual General Meeting.

For SOLITAIRE MACHINE TOOLS LIMITED

Sd/-
P. J. Sheth
Executive Chairman

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

Place : Mumbai

Date : 26th April, 2004

DIRECTORS REPORT**TO THE MEMBERS:**

Your Directors have pleasure in presenting 12th Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

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

	(Rs. in Lacs) Year Ended 31st March, 2004	(Rs. in Lacs) Year Ended 31st March, 2003
Sales	486.69	251.79
Other Income	8.19	3.05
Increase/ (Decrease) in stocks	(24.73)	29.13
Gross Profit Before Depreciation & Taxation	92.18	46.97
Less : Depreciation	31.09	28.80
: Taxation	17.00	5.50
: Deferred Tax	5.66	3.12
Add : Tax Provisions Written Back	--	2.80
Profit after Depreciation and Tax	38.43	12.35
Less : Income Tax for Earlier Years	1.44	--
Net Profit after Tax	36.99	12.35
Add : Profit brought Forward from Previous year	102.02	101.11
Profit available for appropriation	139.01	113.46
Less: Transferred to Capital Redemption Reserve	0.42	11.44
Proposed Dividend	18.17	--
Corporate Tax on Proposed Dividend	2.33	--
Transfer to General Reserve	4.00	--
Balance Carried to Balance Sheet	114.09	102.02

DIVIDEND:

Your directors recommend dividend of Rs. 0.40 per share (4%) on 4542176 equity shares of Rs. 10/- each for the year ended March 31, 2004 subject to the members' approval.

OPERATIONS:

During the last Annual General Meeting of the Shareholders, the board had indicated that the operation for the year would show a definite improvement.

The shareholders must have observed from the results that the company's turnover has gone up by 93%, Gross Profit has gone up by 96%, and the Net Profit has gone up by 200%.

This is due to the growth in the Automotive, Ancillary and steel industry in particular as the Industries are in the process of increasing their capacity.

During the year, the company made a substantial investment of over Rs. 78.00 lakhs in new equipment, which will further enhance the capacity for future growth. The company has started the new year with orders in hand worth Rs. 2.70 crores and incoming

orders in the pipeline expected to be another Rs. 3.00 crores. This would mean a further improvement during the current year.

The company is developing a large machine size No. 3. The prototype of the machine will be ready by end of the current financial year. This machine is used for Centerless Grinding of large components and will be the first one in this size range to be manufactured in India and will be an Import substitute. The commercial marketing of the machine will be next year and would add substantially to the growth of the company.

The company's export orders, which had shown decline after Sept 11, 2001 have been revived and an order of 8 machines for exports to USA has been received.

The company is keeping a close watch on cost of operations as the raw material prices have increased substantially during the past year.

The company is also training its personnel suitably to meet the future challenges.

DIRECTORS:

Mr. Ashok J. Sheth and Mr. Hemendra J. Badani were re-appointed as the Managing Director of the Company, subject to the approval of the members, for the period of five year from January 01, 2004.

Ms. Shilpa Taneja and Mr. Anil Kothari, Directors of the Company are liable to retire by rotation and being eligible, offer themselves for reappointment.

SUBSIDIARY COMPANIES:

During the Financial year under consideration the Company have acquired further shares of subsidiary companies M/s. Eugene Marketing Limited and M/s. Shruichi Marketing Limited thereby making them wholly owned subsidiaries of the company.

In terms of application made to Central Government u/s 212(8) of the Companies Act, 1956; a copy of the Balance Sheet, Profit & Loss Account, Directors' Report and Auditors' Report of the subsidiaries Companies and other documents required to be attached u/s 212(1) of the Act have not been attached with the Balance Sheet of the Company. The Company will make available these documents/details upon request by any member of the Company interested in obtaining the same.

Shruichi Marketing Ltd.: SML is 100% owned subsidiary of the company. The Company is engaged in the business for marketing company's product. During the year the income of the company was Rs. 4.75 lacs (P.Y. Rs. 4.75 lacs) and a loss of Rs. 0.09 lacs (P. Y. loss of Rs. 11.05 lacs).

Eugene Marketing Ltd.: EML is 100% owned subsidiary of the company. The company is not engaged in business and a process for a scheme of amalgamation with M/s. Shruichi Marketing Ltd. Company is on.

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

The Directors state that-

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures:
- (ii) the directors had selected such accounting policies and applied them consistently and

made judgement 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;

- (iii) the directors had taken proper and sufficient care of 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) the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

Your company and its Board of Directors has complied with Corporate Governance to the extent set out in the enclosed report pursuant to Clause 49 of the Listing Agreement. Management Discussion and Analysis forms part of this report. Auditors Certificate for compliance of the conditions of Corporate Governance is also attached to the report.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS 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 U.S.A.
- c. **FOREIGN EXCHANGE EARNING AND OUTGO.**
Foreign exchange earnings of the company during the year 2003-04 were Rs. 23.73 lacs (Previous Year Rs. 0.51 Lacs) while outgoing were Rs. 13.33 Lacs (Previous Year Nil)

AUDITORS :

The causal vacancy caused by the reorganization of erstwhile Auditors M/s K. N. Ajmera & Company, Chartered Accountants, Mumbai was filled by the Board of Directors by appointing M/s. Ajmera Ajmera & Associates, Chartered Accountants, Mumbai to hold office until the conclusion of the ensuing Annual General Meeting. M/s Ajmera Ajmera & Associates, Chartered Accountants, Mumbai being eligible have offered themselves for re-appointment. The members are requested to re-appoint them as Auditors of the Company till the conclusion of the next Annual General Meeting.

AUDITORS' COMMENTS :

The remark in para "F" of the Auditors' Report has been explained in the notes on Accounts Annexed to the enclosed Balance Sheet.

FIXED DEPOSITS :

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.

PERSONNEL & INDUSTRIAL RELATIONS :

Relations with all employees including the recognised unions were in general 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.

ACKNOWLEDGEMENT:

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

BY ORDER OF THE BOARD

P. J. SHETH
Executive Chairman

Place : Mumbai

Date : 26th April, 2004

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, Chemicals, Automobiles etc.. 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 for Grinding Components in the industry like Automobiles, Textiles Machinery, steel, Bearings 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 decade, the phenomenal growth in Automobiles Industry has largely contributed to the growth of machine tools industry and opportunity lies in the further growth expected in the Automobiles Industry as multinational car manufacturers 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 threats to the growth in India is basically from the slow down in the industrial production and supply from other Asian countries like China at below cost prices. However, the specialised nature of the product and quick after sales service requirement will counter the aforesaid threats to the large extent.

3. Segmentwise Performance:

Presently, company is dealing in single segment activity namely machine tools.

4. Outlook:

The long-term outlook for the industry is optimistic depending upon the product innovation and cutting edge technology for sustaining growth. The export market especially to U.S.A. has growth potential upon revival of economic activity in U.S.A. The domestic demand is on the increase and bearing unexpected development, the outlook for the current year is encouraging.

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 unauthorised use or disposition and that transaction are authorised 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 clearly defined organisation structure in place.

6. The Financial and Operational Performance:

The financial statement are 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. The Net Sales of the company during the year has increased to Rs. 486.89 lacs from Rs. 251.79 lacs during the Previous year. The net profit during the year has been Rs. 36.99 lacs in comparison to Rs. 12.35 lacs in the previous year.

7. Human Resource Development:

The company believes that the main strength of its 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.