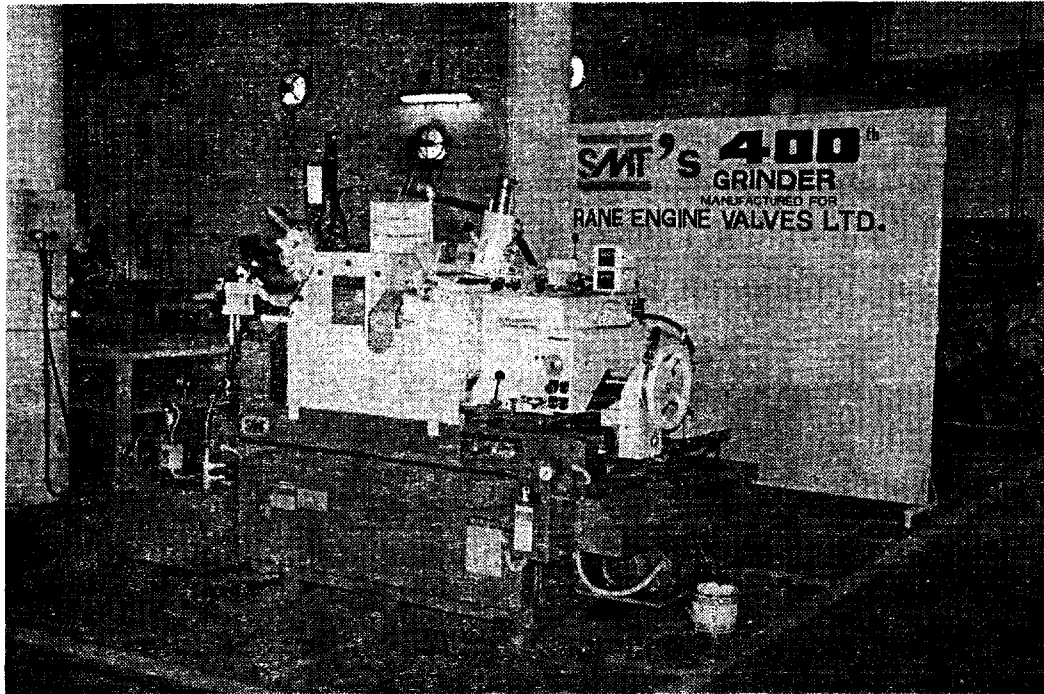




**SOLITAIRE MACHINE TOOLS LTD.**

Report Junction.com  
**13th ANNUAL REPORT**

**2004-2005**



The 400th Milestone in Precision Excellence

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Mr. Nirmal Bhogilal, Vice Chairman, Batliboi Ltd., handing over the 400th Machine to Mr. L. Ganesh, Vice-Chairman, Rane Group.

**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**

AJMERA AJMERA & ASSOCIATES  
CHARTERED ACCOUNTANTS  
MUMBAI.

**BANKER**

UTI BANK LTD,  
VARDHAMAN COMPLEX, OPP. G.E.B  
RACE COURSE CIRCLE (NORTH),  
VADODARA – 390 007.

**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.

## NOTICE

**NOTICE** is hereby given that the 13<sup>th</sup> Annual General Meeting of the members of the **SOLITAIRE MACHINE TOOLS LIMITED** will be held on Saturday, the 11<sup>th</sup> June 2005 at 10:30 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 March 31, 2005 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 financial Year 2004-05.
3. To appoint a director in place of Dr. Amita Sandeep Shah, who retires by rotation, and being eligible, offers herself for reappointment.
4. 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.

For **SOLITAIRE MACHINE TOOLS LIMITED**

Sd/-  
P. J. Sheth  
Executive Chairman

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

Place : Vadodara

Date : April 27, 2005

### 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 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' Registered Office, Mumbai or to M/s Intime Spectrum Registry Ltd., Mumbai, quoting their Registered folio number. Shareholders holding 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 "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 4<sup>th</sup> June, 2005 to Saturday, the 11<sup>th</sup> June, 2005 (both days inclusive).
5. Any queries regarding Accounts should be communicated in writing to 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 Dividend on the Equity Shares; if declared at the Annual General Meeting (AGM) shall be paid to those 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.



**DIRECTORS REPORT****TO THE MEMBERS:**

Your Directors have pleasure in presenting 13<sup>th</sup> Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2005.

**FINANCIAL RESULTS:**

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

	(Rs.in Lacs) Year Ended 31st March, 2005	(Rs.in Lacs) Year Ended 31 <sup>st</sup> March, 2004
Sales	567.29	486.69
Other Income	3.63	08.19
Increase/(Decrease) in stocks	(48.32)	(24.73)
Gross Profit Before Depreciation & Taxation	146.54	92.18
Less : Depreciation	36.46	31.09
: Taxation	44.00	17.00
: Deferred Tax	08.31	05.66
Profit after Depreciation and Tax	57.77	38.43
Less: Income Tax for Earlier Years	00.76	01.44
	57.01	36.99
Net Profit after Tax		
Add: Profit brought Forward from Previous year	114.09	102.02
Profit available for appropriation	171.10	139.01
Less: Transferred to Capital Redemption Reserve	--	0.42
Proposed Dividend	22.71	18.17
Corporate Tax on Proposed Dividend	03.19	02.33
Transfer to General Reserve	06.00	04.00
Balance Carried to Balance Sheet	139.20	114.09

**DIVIDEND:**

Your directors recommend dividend of Rs. 0.50 per share (5%) on 4542176 equity shares of Rs. 10/- each for the year ended March 31, 2005 subject to members' approval.

**OPERATIONS:**

As can be observed from the financial results the Company's sales have grown by 16%, gross profit has grown by 59% and net profit after tax has grown by 54%.

Due to the growth of the User industries particularly auto-ancillaries, the Company's order books are full for the first 6 months of the current year and if the present trend continues the Company expects further growth during the current year.

Export orders are also on hand for about 10 machines and more are under negotiations.

With the expansion in productive capacity and the new plant planned to undertake rebuilding work the business for the same is also expected to grow in the forthcoming years.

The Company has already identified and negotiated for a plot of land close to the existing plant at Vadodara for setting up a separate plant for basically undertaking Centreless Grinder rebuilding and retrofitting operations.

The Company has made good progress in the design of the No. 3 size (large size) machine the prototype of which should be ready during the current year. This machine will give the Company a whole range of products from the small No. 1 machine to the large No. 3 machine.

All the above progress would not have been possible without the active participation of the Company's personnel at all levels of operations. Training of employees is a continuous process.

The contribution of all the suppliers has been a major help in achieving the growth. Efforts are being made to continuously upgrade the ancillary products from the suppliers by sharing the technical knowhow.

There has been a continuous interaction with the customers which has enabled the Company to keep on upgrading the product.

The directors are confident that the present trend of growth will continue in the forthcoming years.

**DIRECTORS:**

During the year, Ms. Swati Badani, who was appointed Alternate director to Mr. Dinesh Sheth ceased to be director on the presence of Mr. Dinesh Sheth at the Board Meeting dated 31.01.2005. However, Ms. Swati Badani was again appointed by the Board of Directors as Alternate Director to Mr. Dinesh Sheth w.e.f. 09.02.2005.

Dr. Amita Shah, Director of the Company is liable to retire by rotation and being eligible, offer herself for reappointment.

**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.

**SUBSIDIARY COMPANIES AND CONSOLIDATED ACCOUNTS**

During the year, the Company disinvested its holding in one of the wholly owned subsidiary; Eugene Marketing Limited and hence it is no more subsidiary of the Company.

In accordance with the clause 32 of the listing agreement, consolidated accounts which provides members with a consolidated position of the company including its subsidiary i.e. shruchi marketing limited is enclosed with this report.

**CORPORATE GOVERNANCE :**

Corporate Governance and Management Discussion and Analysis Reports along with Certificate of the Company Secretary in Practice pursuant to clause 49 (revised) of the Listing Agreement with the Stock Exchanges have been included in the report. Your company has been practising the principle of good Corporate Governance over the years. 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.

**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.
- c. **FOREIGN EXCHANGE EARNING AND OUTGO:**  
Foreign exchange earnings of the company during the year 2004-05 were Rs. 55.78 Lacs (Previous Year Rs. 23.73 Lacs) while outgoings were Rs. 45.03 Lacs (Previous Year Rs. 152.22 Lacs).

**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.

**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.

**PERSONNEL & INDUSTRIAL RELATIONS:**

Relations with all employees including the recognized union were in general cordial and congenial atmosphere prevailed. Your Directors acknowledge with gratitude 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, Bank, Customers, Suppliers and Employees during the year.

**BY ORDER OF THE BOARD**

Place : Vadodara

Date : April 27, 2005

**P J SHETH**  
Executive 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, 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 and Ancillaries, Textiles Machinery, Bearings, Steel 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 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 threats to the growth in India is basically from the slow down of the economy and supply from far Asian countries like China at cost competitive prices. However, the specialised nature of the product and quick after sales service requirement will counter the aforesaid threats to the large extent.

### 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. has growth potential upon revival of economic activity in U.S.A. The domestic demand is on the increase and barring 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 estimatus 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.

## CORPORATE GOVERNANCE REPORT

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes that Corporate Governance is powerful mediums to sub serve the long-term interest of all the shareholders, creditors, customers, employees and other stakeholders. Corporate Governance strengthens Investors and Creditors trust and ensures a long-term partnership that helps in fulfilling our quest for achieving significant growth and profits. Your Company is committed to benchmarking itself with good governance and operates with transparency, professionalism, good conduct and value based systems. In addition to compliance with regulatory requirements, spandex endeavors achieve highest standards of ethical and responsible conduct.

## 2. BOARD OF DIRECTORS:

The present strength of Board of Directors is 8 (Eight), whose composition and category is given below:

- \* Three - Promoter, Executive Directors
- \* Four - Independent Directors
- \* One - Promoter, Non- Executive Director

## (A) THE CONSTITUTION OF THE BOARD AS ON MARCH 31, 2005

The Composition of the Board of Directors and also the number of other Directorship or Committees of which they are member/ Chairperson are as given below:

Directors	Category	No. of other Directorship		No. of other Committee positions	
		Public	Private	Member	Chairman
Mr. P J Sheth	Promoter Executive	2	1	--	--
Mr. D J Sheth	Promoter Non-Executive	--	--	--	--
Mr. A J Sheth	Promoter Executive	--	--	--	--
Mr. H J Badani	Promoter Executive	--	2	--	--
Mr. Rohit Chothani	Independent	--	6	--	--
Ms. Shilpa Taneja	Independent	1	1	--	--
Mr. A J Kothari	Independent	1	--	--	--
Dr. Amita S Shah	Independent	--	--	--	--
Ms. Swati Badani	Alternate to D. J. Sheth	--	--	--	--

## (B) BOARD PROCEDURE

The Board of the Company met six (6) times during the year-ended 31.03.2005. Notice and Agenda were circulated in advance of each meeting of the Board of Directors. The Executive Chairman briefed the Board at every meeting on the overall performance of the Company. The Board mainly deliberated on the following subjects:

- Strategy and Business Plans
- Operations and Capital Expenditures
- Finance and Banking operations
- Adoption of Quarterly/Half yearly/ Annual Results
- Compliance with Statutory/ Regulatory requirements and review of major Legal Issues
- Significant Labour Issues

## (C) ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

During the year ended March 31, 2005, Six Board Meetings were held on April 26, 2004, July 31, 2004, September 26, 2004, October 30, 2004, December 12, 2004 and January 31, 2005.

Name of the Directors	No. of Board Meeting Attended	Attendance At last AGM Held on July 31, 2004	Remarks
Mr. P J Sheth	6	Yes	--
Mr. Dinesh J Sheth	1	No	--
Mr. Ashok J Sheth	3	Yes	--
Mr. H J Badani	3	Yes	--
Mr. Rohit Chothani	4	Yes	--
Ms. Shilpa Taneja	6	Yes	--
Mr. A J Kothari	3	Yes	--
Ms. Swati Badani	2	No	Alternate to Dinesh Sheth
Dr. Amita S Shah	2	Yes	--

## (D) DIRECTOR SEEKING APPOINTMENT/ RE-APPOINTMENT

The brief particulars of the Director being re-appointed as Director retiring by rotation and new appointment of director at the ensuing Annual General Meeting are as under:



Dr. Amita Shah retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment.

Dr. Amita Shah, 48 Years old is Ph.D by qualification. She is having more than 20 years of experience as Human Resource Consultant and Journalist. Her continuation on the Board will be an advantage to the Company.

### 3. Committees of the Board:

The Board of Directors has Constituted Three committees of the Board – (i) The Audit Committee (ii) Remuneration Committee and (iii) The Share Transfer and Investors Grievance Redressal Committee.

#### i) Audit Committee:

The Committee's powers, role and functions are as stipulated in Clause 49 of the Listing Agreement and under Section 292 A of the Companies Act, 1956.

##### COMPOSITION

The constitution of the Audit Committee is as follows:

1.	Mr. Anil Kothari	-	Chairman
2.	Ms. Shilpa Taneja	-	Member
3.	Ms. Swati Badani	-	Member*

\* During the year, Ms. Swati Badani Alternate Director to Dinesh Sheth ceased to be the member of the Audit Committee w.e.f. 31.01.2005.

During the year ended March 31, 2005; Four Audit Committee Meetings were held on April 26, 2004, July 31, 2004, October 30, 2004 and January 31, 2005 and there was no time gap of more than six months between any two meetings. The member's attendances at the meeting of the Audit Committee are as follows:

1.	Mr. Anil Kothari	-	3
2.	Ms. Swati Badani	-	1
3.	Ms. Shilpa Taneja	-	4

#### (ii) Remuneration Committee:

Fixation of salary, perquisites etc. of all executive directors of the Company, as and when any new executive director is appointed / existing executive director is re-appointed; and Deciding commission payable to executive directors based on performance of the concerned executive director and for this purpose, fix targets for achievements.

##### COMPOSITION

The constitution of the Remuneration Committee is as follows:

i)	Ms. Shilpa Taneja	-	Chairperson
ii)	Mr. Anil Kothari	-	Member
iii)	Mr. Rohit Chothani	-	Member

The break up of the remuneration paid to Managing Director and the Whole-time Directors are as follow:

Sl No.	Name of Directors	Salary per year	Sitting Fee	Total
1.	P. J. Sheth	300,000	--	300,000
2.	A. J. Sheth	270,000	--	270,000
3.	H. J. Badani	270,000	--	270,000

#### (iii) Investors' and shareholders Grievance & Share Transfer Committee:

The "Investors Grievance & Share Transfer Committee" of the Board, look into various issues relating to investor grievances and to deal with matters relating to transfers/transmissions of shares, and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance-sheet, non-receipt of dividends declared, issue of duplicate share certificates, etc.

##### COMPOSITION

The constitution of the Committee is as follows:

1)	Ms. Shilpa Taneja	-	Chairperson
2)	Mr. P J Sheth	-	Member
3)	Ms. Swati Badani	-	Member

The Company's shares are compulsory traded in the dematerialized form and have to be delivered in the dematerialized form in all the Stock Exchanges. To expedite transfers in the physical segment, Mr. N. M. B. Khan, Manager Accounts, is acting as Compliance Officer.

All the complaints received are replied to the satisfaction of the shareholders. There are no pending complaints requiring intervention of the committee.

4. **General Meetings:**

Location and time, where last three Annual General Meetings were held is given below:

Financial Year	Date	Location of the Meeting	Time
2003-2004	31.07.2004	Senate Room, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai- 400 021	10.00 A.M
2002-2003	26.07.2003	Senate Room, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai- 400 021	10.00 A.M.
2001-2002	29.06.2002	Senate Room, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai- 400 021	10.00 A.M.

No Special resolution was required to be passed through postal ballot at the last Annual General Meeting nor it is proposed this year.

5. **Disclosures**

- a) There has been Nil non-compliance Penalties / Strictures imposed on the company by the Stock Exchanges or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.
- b) There are no materially significant related party transaction with the promoters, directors or the subsidiaries or relatives other than disclosed in the Notes to the Accounts.

6. **Means of Communication**

The Board of Directors of the Company approves and takes on record the un-audited financial results in the format prescribed by the Stock Exchange, Mumbai, within one month of close of quarter/ half year and announces forthwith results to all stock exchanges where the shares of the Company are listed. Further, the quarter/half yearly results in the prescribed format are published in the Free Press Journal and Navshakti.

The Company does not have any website but the results are published on SEBI website (EDIFAR).

7. **General Shareholders information**

- a. Registered Office : 107 Arun Chambers  
Tardeo Road, Mumbai – 400 034
- b. Annual General Meeting : Date and time: Saturday, June 11, 2005 at 10.30 a.m.  
Venue : Senate Room, Status Restaurant, 208, Regent Chambers,  
Nariman Point, Mumbai- 400 021
- c. Financial Calender (2005 – 2006) : Result to be tabled & adopted in the month of
  - i) First Quarter ended June 30, 2005 : July, 2005
  - ii) Half Yearly / Second Quarter ended September 30, 2005 : October, 2005
  - iii) Third Quarter / Nine Months ended December 31, 2005 : January, 2006
  - iv) Yearly Audited / Fourth Quarter ended March 31, 2006 : June, 2006
- d. Date of Book Closure : Saturday, June 04, 2005  
to Saturday, June 11, 2005  
(Both days inclusive)
- e. Dividend payment date : Within 30 days of AGM; if approved by the Shareholders of the Company.
- f. Listing at stock Exchanges : The Stock Exchange, Mumbai  
The Vadodara Stock Exchange Ltd.
- g. Stock Code : Physical Segment – BSE: 522152  
NSDL/CDSL-ISIN: INE 410A01013
- h. Stock Market Data : The monthly high and low prices during the year at BSE are as follows: