

SOLITAIRE MACHINE TOOLS LTD.

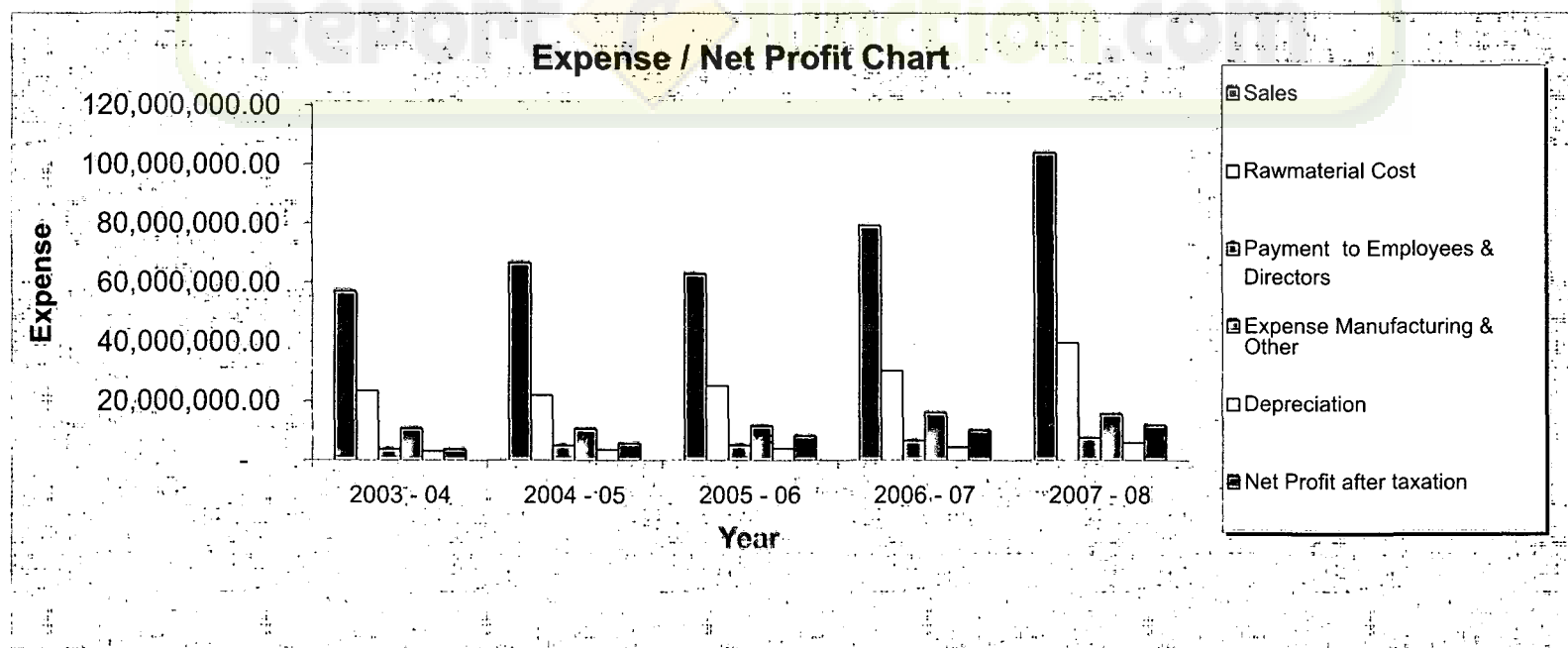


**16th Annual Report
2007-2008**

SOLITAIRE MACHINE TOOLS LTD.

Key Financial Indicators for Last five years

Expenses	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08
Sales	57,011,508.00	66,740,696.00	62,856,813.00	79,310,398.00	103,839,489.00
Rawmaterial Cost	23,446,198.00	21,973,151.00	25,137,696.00	30,259,875.00	39,704,496.00
Payment to Employees & Directors	3,709,876.00	5,019,820.00	5,111,858.00	6,564,640.00	7,633,762.00
Manufacturing & Other Expense	10,640,938.00	10,612,181.00	11,620,514.00	15,979,600.00	15,630,023.00
Depreciation	3,108,941.00	3,645,813.00	3,968,218.00	4,460,294.00	5,960,793.00
Net Profit after taxation	3,698,659.00	5,701,295.00	8,153,194.00	10,101,301.00	11,841,303.00



BOARD OF DIRECTORS

Mr. P. J. Sheth
 Mr. A. J. Sheth
 Mr. H.J. Badani
 Ms. Shilpa Taneja
 Mr. A.J. Kothari
 Dr. Amita Shah

Chairman
 Vice Chairman & Managing Director
 Managing Director
 Director
 Director
 Director

CORPORATE MANAGEMENT

Mr. A. J. Sheth
 Mr. H.J. Badani
 Mr. N.M.B. Khan
 Mr. Harsh Badani

Vice Chairman & Managing Director
 Managing Director
 Dy. General Manager (Finance & Corporate Affairs)
 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: solitaire@satyam.net.in

PLANT II:

A- 24/25 , KRISHNA INDUSTRIAL ESTATE,
 GORWA, VADODARA – 390 016

Tel: 0265 6580 010
 Email: solitairegorwa@yahoo.co.in

WEBSITE

www.smtgrinders.com

AUDITORS

AJMERA AJMERA & ASSOCIATES
 CHARTERED ACCOUNTANTS
 MUMBAI.

BANKER

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

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 Annual General Meeting of the Members of the Solitaire Machine Tools Limited will be held on Saturday, the June 14, 2008 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, 2008 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 2007-08.
3. To appoint a director in place of Dr.Amita 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.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, following resolution as Special Resolution

"RESOLVED THAT pursuant to the provisions of Section 314(1) of the Companies Act 1956, consent be and is hereby accorded to the appointment of Mr. Harsh Badani, a relative of Mr. P.J. Sheth, Chairman and Mr. Hemendra Badani, Director of the Company to hold office of profit as Manager, Manufacturing, of the company w.e.f from April 1, 2008 at a consolidated remuneration of Rs.19,500.000 per month

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such act, deeds, matters and things as may be required, appropriate, necessary or expedient for complying with the requirements of the Companies Act, 1956.

For SOLITAIRE MACHINE TOOLS LIMITED

Sd/-

P.J. Sheth
Chairman

Regd. Office:

107, Arun Chambers
Tardeo Road
Mumbai - 400 034

Place: Vadodara
Date : April 26, 2008

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 Intime Spectrum Registry Ltd., 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 "M/s. Intime Spectrum Registry Limited." at 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 June 7, 2008 to Saturday, the June 14, 2008 (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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5:**

Mr. Harsh Badani, B.E. (Production Engineering) aged 24 years joined the company as Manufacturing Engineer in the year 2006. He has during his apprenticeship proved his capabilities through application and hard work and is capable of handling greater responsibilities. In view of his qualification, and experience gained, it is decided to promote Mr. Harsh Badani as Manager, Manufacturing. Since Mr. Harsh Badani is related to two directors of the company, his appointment and remuneration exceeding specified limits requires passing of special resolution by the members of the company.

Your directors recommend passing of the special resolution.

None of the directors except Mr. P.J. Sheth and Mr. H.J. Badani are concerned or interested in passing of this special resolution.

For **SOLITAIRE MACHINE TOOLS LIMITED**

Sd/-
P.J. Sheth
Chairman

Regd. Office:

107, Arun Chambers,
Tardeo Road,
Mumbai – 400 034

Place: Vadodara

Date: April 26, 2008

DIRECTORS' REPORT**TO THE MEMBERS:**

Your Directors have pleasure in presenting 16th Annual Report of your company together with the Audited Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS:

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

	(Rs.in Lacs) Year Ended March 31, 2008	(Rs. In Lacs) Year Ended March 31, 2007
Sales (Net)	883.47	702.62
Other Income	15.44	12.57
(Increase)/Decrease in stocks	25.49	(32.55)
Cash Profit Before Depreciation & Taxation	243.20	188.94
Less : Depreciation	59.60	44.60
: Taxation	57.00	45.00
: Fringe Benefit Tax	1.62	1.54
Add/Less: Deferred Tax	6.59	2.75
Net Profit after Tax	118.41	101.01
Add: Profit brought Forward from Previous year	245.01	185.84
Profit available for appropriation	363.42	286.84
Proposed Dividend	34.06	27.25
Corporate Tax on Proposed Dividend	5.78	4.59
Transfer to General Reserve	10.00	10.00
Balance Carried to Balance Sheet	313.56	245.01

DIVIDEND:

Your directors recommend dividend of Rs.0.75 per share (7.50 %) on 4542176 equity shares of Rs. 10/- each for the year ended March 31, 2008 subject to members' approval.

OPERATIONS:

The Indian economy has been on continuous growth during the year under review and the same is reflected in the performance of the company.

The total sale has grown by 26 % to Rs.1036.00 lacs from Rs.824.00 lacs. The Profit before tax has grown by 25 % from Rs. 144.33 to Rs.179.79 lacs. After considering the Provision for taxation, Fringe Benefit Tax and Deferred Tax liability, the Company's Net Profit after tax has increased by 17 % from Rs.101.01 lacs to Rs.118.41 lacs.

During the year under review, the Company entered into an agreement with Bocca & Malandrone Sunebo S.p.A for manufacture of special purpose Centerless Grinding Machine. According to the agreement, the machines will be manufactured with Bocca know-how at your company's plant and will be sold in India by SMT and exported to the other countries through Bocca's sales network. Bocca & Malandrone Sunebo S.p.A would stop manufacturing of these machines in Italy. The technical data including drawings have been received and your company has also

received the first order for two machines to be manufactured under the Bocca know-how. Your company expects to meet this first order by September, 2008. This collaboration will bring substantial additional business to the company during the current and forthcoming years.

After the Bocca tie-up, your company has received several other offers from European and Japanese Machine Tool Manufacturers and these are being negotiated.

The company has made capital investment of Rs.36.15 lacs during the year and further investment including a buildup of 1st floor at Plant II is in progress.

The Groove Grinding Machine developed last year has proved successful after several trials and the company expects this business to grow substantially during the forthcoming period.

The company's order books are full for period upto December, 2008 and several live inquiries are being processed.

The company plans to add further balancing equipment to meet the growing requirement so that the production can further be increased by atleast 30 % during the forthcoming year.

The company's personnel have worked diligently to meet the growing requirement of further sophistication of the machines and the results are seen in the repeat orders received from the customers.

The company thanks its customers for continuous interaction and technical interchange to improve the quality and productivity of the machines.

The Directors are confident that the present status of growth will continue for the forthcoming years.

DIRECTORS:

Dr. Amita Shah, Director of the company is liable to retire by rotation being eligible, offers herself for re-appointment. The Board recommends her re-appointment

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 judgment 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 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) the directors had 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 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.

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.

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 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' 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

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 and Italy.

c. FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign exchange earnings of the company during the year 2007-08 were Rs 66.02 Lacs (Previous Year Rs. 52.80 Lacs) while outgoings were Rs. 30.95 Lacs (Previous Year Rs. 36.03 Lacs).

BY ORDER OF THE BOARD

P.J.SHETH
Chairman

Place: Vadodara
Date: April 26, 2008

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, and 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 in the industry like Automobiles, 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 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 threat to the growth in India is basically from the slow down of the economy and supply from far Asian countries like China at below cost prices. However, the specialized 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 business to USA will sustain and an additional avenue is opened for exports to Europe. 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 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 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. The turnover and other income of the company during the year have increased to Rs. 883.47 from Rs. 702.62 lacs during the previous year. The net profit during the year has been Rs. 118.41 lacs in comparison to Rs. 101.01 lacs in the previous year.

7. Human Resource Development:

The company believes that the main strength of any organization 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

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes that Corporate Governance is powerful medium 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. Your company believes good Corporate Governance is essential ingredient of good business. Good governance and good business have many things in common: participatory, effectiveness and efficiency among others. Our corporate performance over the year vindicates this belief.

For us good Corporate Governance and good business is not a destination but a continuing journey.

Corporate Governance in the company has three layers namely:

1. Governance by shareholders
2. Governance by Board of Directors
3. Governance by Sub- Committees of Board of Director

FIRST LAYER: GOVERNANCE BY SHAREHOLDERS

Annual general Meeting for 2007 – 2008 is scheduled on 14.06.2008 at 10:30 am. The meeting will be conducted at Senate Room, Status Restaurant, 208, regent Chambers, Nariman Point, Mumbai – 400 021.

For those who cannot make it into the meeting, please remember that you can appoint a proxy to represent you in the meeting. For this you need to fill proxy form and send it back to us. The last date for receipt of proxy forms by us is 12.06.2008.

For the year 2006 – 2007, we had Annual General Meeting on June 23, 2007 at 10.00 am. The venue for meeting was Senate Room, Status Restaurant, 208, regent Chambers, Nariman Point, Mumbai – 400 021.

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

Financial Year	Date	Location of the Meeting	Time
2006 – 2007	23.06.2007	Senate Room, Status Restaurant, 208, regent Chambers, Nariman Point, Mumbai – 400 021.	10.00 am
2005 – 2006	30.06.2006	Senate Room, Status Restaurant, 208, regent Chambers, Nariman Point, Mumbai – 400 021.	10.30 am
2004 – 2005	30.06.2005	Senate Room, Status Restaurant, 208, regent Chambers, Nariman Point, Mumbai – 400 021.	10.00 am

No special resolution was required to be passed through postal ballot at the last Annual general Meeting nor proposed for this year.

FINAL DIVIDEND:

Your Board of Directors has recommended final dividend of Rs.0.75 on per equity share of Rs.10 each.

DATE OF BOOK CLOSURE:

Our Register of members and share transfer books will remain closed from 07.06.2008 to 14.06.2008 to determine the entitlement of shareholders to receive dividend as may be declared for year 2008.

FINAL DIVIDEND PAYMENT DATE:

Final dividend on equity shares as recommended by Board for year ended on March 31, 2008 when declared at the meeting will be paid on or before July 14, 2008.

SHARE TRANSFER SYSTEM:

Your Board delegated the power of share transfer to Registrar and share transfer agent M/s Intime Spectrum Registry Limited, situated at C13, Pannalal silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078

Distribution of Shareholding Schedule as on March 31, 2008:

Shares Holding of nominal value of Rupees	No. of Shareholders	% of Shareholders	No. of Share held	% of Shareholding
Upto 2500	2996	65.06	3731890	8.2161
2501 to 5000	912	19.80	4012360	8.8336
5001 to 10000	359	7.80	3090790	6.8046
10001 to 20000	183	3.97	2860850	6.2984
20001 to 30000	52	1.13	1320940	2.9082
30001 to 40000	16	0.35	574960	1.2658
40001 to 50000	33	0.71	1557710	3.4294
50001 to 100000	27	0.59	2091030	4.6036
100001 & above	27	0.59	26181230	57.6403
	4605	100.00	45421760	100.00

Shareholding Patten of the company as on March 31, 2008:

	Category	No. of shares held	Percentage of shareholding
1.	Directors / Relatives	1791925	39.46
2.	Corporate Bodies (Promoter Co.)	146999	3.23
3.	Mutual Funds	43900	0.97
4.	Private Corporate Bodies	211319	4.65
5.	NRIs / OCBs	13147	0.29
6.	Indian Public	2334886	51.40
	GRAND TOTAL	4542176	100.00

DEMATERIALIZATION OF SHARES AND LIQUIDITY

About 81.61 % of outstanding equity has been dematerialized

SECOND LAYER: GOVERNANCE BY BOARD OF DIRECTORS**BOARD OF DIRECTORS:**

The present strength of Board of Directors is 6 (Six), whose composition and category is given below:

101	Two	-	Promoter, Executive Directors
101	Two	-	Independent Directors
101	Two	-	Promoter, Non- Executive Directors