

SOLIATIRE MACHINE TOOLS LIMITED

REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2019

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BOARD OF DIRECTORS

Mr. A.J. Sheth
Mr. H.J. Badani
Mr. Harsh Badani
Ms. Shilpa Taneja
Mr. A.J. Kothari
Dr.Amita Shah
Ms. Rashmi Desai
Ms. Padmaja K Mukundan

Chairman & Managing Director
Vice Chairman & Managing Director
Whole Time Director
Non-Executive Director
Independent Director
Independent Director
Independent Director
Independent Director

CORPORATE MANAGEMENT

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

Chairman & Managing Director
Vice Chairman & Managing Director
Whole Time Director
Dy. General Manager (Finance & Corporate Affairs)

REGISTERED & CORPORATE OFFICE

Shop 3-A, Floor-Bas, Plot 731, Part 3, Arun Chamber,
pandit Madan Mohan Malviya Marg, Tardeo, Mumbai-
400034, Tel: 022 66602156

PLANTS

PLANT I

292, Dharamsinh Desai Marg, Chhani Road,
Vadodara- 390002
Tel: 0265 2772415/ 2773585
Email: sales@smtgrinders.com

PLANT II

A-24/25, Krishna Industrial Estate, Gorwa,
Vadodara-390016 Tel: 0265 6580010
Email: sales@smtgrinders.com

WEBSITE

www.smtgrinders.com

AUDITORS

Ajay Shobha & Co
Chartered Accountants, Mumbai

BANKER

Yes Bank, 2nd Floor, Corner Square Building,
Near Inox, Race Course, Baroda-390007

SHARE TRANSFER AGENT

Link Intime India Pvt Ltd
C-101, 247 Park, LBS Marg, Vikhroli (West),
Mumbai 400083

SECRETARIAL CONSULTANT

Oke Thakkar & Associates
Practicing Company Secretaries, Mumbai

Directors Report

To the Members,

The Directors have pleasure in presenting before you the Twenty Seventh Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2019.

FINANCIAL RESULTS :

The Standalone performance during the period ended 31st March, 2019 has been as under:

(Rs. in Lacs)

Particulars	Year Ended 31 st March, 2019	Year Ended 31 st March, 2018	Year Ended 31 st March, 2017	Year Ended 31 st March, 2016	Year Ended 31 st March, 2015
Sales (Net)	1559.64	1652.56	1834.07	1565.5	1079.42
Other Income	29.03	41.56	31.51	26.8	15.44
(Increase) / Decrease in stocks	(222.83)	(28.85)	(19.99)	179.04	(159.21)
Profit Before Taxation	207.95	248.45	305.95	169.54	104.63
Less:					
Taxation	73.00	82.00	100.00	66.50	56.00
Excess/Short provision of tax relating to earlier years	7.32				
Deferred Tax	(2.16)	(24.51)	14.40	6.43	26.08
Net Profit after Tax	129.79	190.97	191.54	108.87	62.94
Add: Profit brought forward from Previous Year	900.83	776.54	652.25	584.25	547.88
Profit available for appropriation	1030.62	967.51	843.79	693.32	510.82
Less:					
Proposed Dividend	49.96	56.77	45.42	34.06	22.71
Corporate Tax on Proposed Dividend	11.56	11.55	9.08	6.81	3.86
Less:					
Other Comprehensive Income	0.44	(1.64)	12.75	0.00	0.00
Balance Carried to Balance Sheet	968.66	900.83	776.54	652.25	584.25

The Consolidated performance during the period ended 31st March, 2019 has been as under:

(Rs. in Lacs)

Particulars	Year Ended 31 st March, 2019	Year Ended 31 st March, 2018
Sales (Net)	1559.64	1652.56
Other Income	29.04	41.58
(Increase) / Decrease in stocks	(222.83)	(28.85)
Profit Before Taxation	199.68	243.03
Less:		
Taxation	73.00	82.00
Excess/Short provision of tax relating to earlier years	7.32	-
Deferred Tax	(2.35)	(24.74)
Net Profit after Tax	121.72	185.77
Add: Profit brought forward from Previous Year	907.22	788.13
Profit available for appropriation	1028.94	973.90
Less:		
Proposed Dividend	49.96	56.77
Corporate Tax on Proposed Dividend	11.56	11.55
Less:		
Other Comprehensive Income	0.44	(1.64)
Balance Carried to Balance Sheet	966.98	907.22

DIVIDEND:

Your Directors recommend dividend of Rs. 49,96,393.6/- which would be 11% on 4542176 equity shares of Rs. 10/- each for the year ended March 31, 2019 subject to members' approval.

OPERATIONS:

The operation for the year has shown decline in sales compared to previous year. The decline was little over 5 %. The grinders ready with us for over 3 Crores were not picked up by customers. The inventory of semi finish machines went up by 2.6 Crores. The main reason cited was lack of liquidity. The export sales was higher than previous year, but was still only 19 % of total sales.

The uncertainty in domestic as well as International market continues. The entire Machine Tools industry is witnessing this downturn. The major factor is Government decision to implement BS IV standards for Pollution controls from 2020 in auto industry. Diesel engine 4 wheelers will be outdated and eliminated in due course

of time. All 2-wheel vehicles have to be electric vehicle in near future. All this is good for world at large, but its immediate effect is being felt in short term by industry. The turmoil would settle down in current financial year.

The Net Profit declined against last year as inventory went up, but was retained at lower of the cost as per norms. The EPS also came down from 4.20 last year to 2.86 in current year.

In spite of the entire negative scenario, your company has remained Debt Free for eighth year in a row. The Company invested about 39 lacs in upgrading equipment. The previous investments in Fixed Deposits, Mutual Funds etc. were retained as it is. The Bank borrowing from Cash Credit Facility was used sporadically and which can be seen from Finance cost.

EEPC has recognized our Export Efforts and for First time gave us an Award as Large Enterprise for year 2016-2017. This was fifth Award in a row. Ms. Shilpa Taneja received Award on behalf of the Company.

The Company had participated in IMTEX 2019 in Bangalore in Jan. 2019. The newly developed model 3-300 was launched at the show and it was widely recognized. The grinder was confirmed for sale with a new customer and it was supplied after due modification for their application in current financial year. Some more new customers were added to our list and their grinders are being supplied / manufactured during current financial year. Your Company has been working with Government of India Atomic Power department. In earlier years we have supplied several grinders to Nuclear Fuel Complex and now we have received one more grinder order for current year. Orders for 4 more grinders have been confirmed for next financial year for their expansion. One of their sister organization has also placed order for their requirements for CNC grinder. Such orders insulate us from downward trend in automotive field in near future. As requirement of Electric Power goes up, Nuclear Power is one of the major sources being sought by Government for protecting environment.

Our thrust for Export sales is continuing in USA, UK and Europe. We will be participating in an Exhibition in Nov. 2019 in Thailand. We hope to tap in to South East Asia market of Thailand, Malaysia and Vietnam.

Due to slowdown in Sales, many of our customers are now opting for Rebuilding / CNC retrofitting of their old grinders to improve on efficiency and productivity. During the year, we rebuilt 5 grinders and we hope to do rebuild / retrofit 6 to 8 grinders in current year. As Diesel engine phases out, the grinders used for manufacturing parts for these engines, are being retooled up for new components. This would give us opportunity to work with customers and earn additional revenue.

The Company continues with Social development and cultural activities for employees and their family. The company had arranged Rangoli Competition, Children day activities, health Check-up for all employees, Dussehra Pooja and distribution of education related activities for employees' children. The Company plans to further extend Social Development activities in Company's neighbourhood.

The Company continues to improve skill of employees through training. Few new young employees are being added to work force as our work force would be nearing retirement stage. We are fortunate that we have large number of work force, who have been with us for over 20 years and still working to keep up with technological changes taking place in the world.

The Company thanks all its customers for continued support and faith in meeting their requirements. New customers are being added from time to time making our customer base wider. The Company thanks its bankers, Vendors and Government authorities for their continued support.

BOARD OF DIRECTORS:

By the end of the year Four Independent Directors had completed their terms as an Independent Directors and have retired. We thankfully acknowledge their contribution towards the betterment of company's working and the guidance provided by them in their respective field of expertise. The retiring Directors are Mr. Anil Kothari, Dr. Amita Shah, Ms. Rashmi Desai and Ms. Padamaja Mukundan. We hope they will continue to guide us as and when we need their assistance.

After rigorous search, we were fortunate to have a new Panel of Independent Directors inducted to work as of beginning of the year. They are:

Mr. Bharat V. Shah – Bharatbhai is an Electrical Engineer from IIT, Mumbai. He is an Entrepreneur and innovator in manufacturing of electrical motors for past 40 years and now retired. He has been associated with Defence Department of India in development of wide variety of Special Purpose Motors for various war ships as well as for first Nuclear Submarine built in India.

Mr. Nilam M. Patel – Nilambhai is an engineer by education and one of the leading builders principally for Industrial buildings. He has an experience of over 45 years in the field and is semi-retired. For last over 10 years, he has been associated with an Architectural college in Vidyanagar as Honorary Director and has guided it to be one of the finest in the region. The college has all advanced facilities for students and are in process of establishing new college campus.

Ms. Kesha K. Thakkar – Ms. Kesha is a commerce graduate and pursuing for Chartered Accountant. She is currently associated with Niyogin Fintech limited in Mumbai. She has wide experience in the field of Audit and Finance. She would be able to guide the company in Accounting, Finance and related activities.

Ms. Nishita G. Rajput – Ms. Nishita has done Masters in CSR field besides other educational achievements. She is a Social Worker in Vadodara and has been operating an NGO for Girl Education. Much before “Beti Bachao, Beti Padhao” campaign, she had started to work for Girl education. In current year, she plans to arrange for school and college fees for over 10,000 girls and boys. She also arranges for Daily meal delivered free of cost for over 180 old ladies. She will guide us to see that we also meet our social responsibilities, as we have gained a lot from society.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

As required under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report is enclosed as a part of this report.

CORPORATE GOVERNANCE AND SHAREHOLDERS INFORMATION:

Report on Corporate Governance and Management Discussion and Analysis Reports has been included in the report. Your company has been practicing 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.

LISTING WITH STOCK EXCHANGES:

The Company confirms that it has paid the Annual Listing Fees for the year 2019-20 to BSE where the Company's Shares are listed.

DEMATERIALISATION OF SHARES:

89.08 % of the company's paid up Equity Share Capital is in dematerialized form as on 31st March, 2019 and balance 10.92 % is in physical form.

NUMBER OF BOARD MEETINGS HELD:

The Board of Directors duly met 5 times during the financial year from 1st April, 2018 to 31st March, 2019. The dates on which meetings were held are as follows:

19th May, 2018, 4th August, 2018, 27th October, 2018, 9th February, 2019 and 29th March, 2019.

DIRECTORS:

The Board of Directors are duly constituted. As per provisions of Companies Act, 2013 for retirement by rotation, all executive directors are now liable to retire by rotation.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement. The term of all the three Independent Directors expired as on 31st March, 2019. They have tendered their resignation and are no longer associated with the Company with effect from 31st March, 2019.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 134(5) of the Companies Act, 2013, Directors of your Company hereby state and confirm that:

- a) In the preparation of the annual accounts for the year ended 31st March, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) They have selected such accounting policies and applied them consistently and made judgments 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 of the company for the same period;
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) They have prepared the annual accounts on a going concern basis;
- e) They have laid down internal financial controls in the company that are adequate and were operating effectively.
- f) They have devised proper systems to ensure compliance with the provisions of all applicable laws and these are adequate and are operating effectively.

COMMENTS ON AUDIT OBSERVATIONS:

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer.

DISCLOSURE ON NON-APPLICABILITY OF MAINTENANCE OF COST RECORDS

The maintenance of Cost records as specified by the Central government under sub section (1) of Section 148 of the Companies Act, 2013 is not applicable on the Company.

COMMENTS ON SECRETARIAL AUDITOR'S OBSERVATIONS:

There is no malafide intention on the part of company and delay if any, in the matter is inadvertent and caused due to oversight. The Company is in process of complying all the requirements of the Companies Act, 2013 and amended listing agreement.

AUDITORS:

Statutory Auditors:

M/s. Ajay Shobha & Co. (Firm Registration No.: 317031E), Chartered Accountants, Mumbai were appointed as Statutory Auditors for financial year 2017-18 to 2021-22 at the Annual General Meeting held on 29th July, 2017. The requirement to place the matter relating to appointment of Auditors for ratification by members at every Annual General Meeting is done away with vide notification dated 7th May, 2018 issued by the Ministry of Corporate Affairs. Accordingly, no resolution is proposed for ratification of appointment of Auditors.

Secretarial Audit:

According to the provision of section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit Report submitted by Company Secretary in Practice is enclosed as a part of this report Annexure-A.

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 costs 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 2018-2019 were Rs.296.69 Lacs (Previous Year Rs. 234.01 Lacs) while outgoings were 98.59 Lacs (Previous Year Rs. NIL).

VIGIL MECHANISM:

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at www.smtgrinders.com under <http://www.smtgrinders.com/policies/> link.

RELATED PARTY TRANSACTIONS:

Related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party

transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company. Transactions with related parties entered by the Company in the normal course of business are periodically placed before the Audit Committee for its omnibus approval and the particulars of contracts entered during the year as per Form AOC-2 is enclosed as Annexure-B.

The Board of Directors of the Company has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules there under and the Listing Agreement. This Policy was considered and approved by the Board has been uploaded on the website of the Company at www.smtgrinders.com under <http://www.smtgrinders.com/policies/> link.

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as Annexure-C.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

There are no Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 during the current Financial Year.

REMUNERATION RATIO OF THE DIRECTORS / KEY MANAGERIAL PERSONNEL (KMP) / EMPLOYEES:

- i. The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Particulars of Employees) Rules, 1975, in respect of employees of the Company and Directors is furnished hereunder:

S. No.	Name	Designation	Remuneration paid FY 18-19	Remuneration paid FY 17-18	Percentage Increase in remuneration from previous year	Ratio/Times per Median of employee remuneration
1	Mr. Ashok Sheth	Chairman & Managing Director	Rs. 12,80,920	Rs. 15,86,460/-	(19.26%)	4.59
2	Mr. Hemandra Badani	Managing Director	Rs. 12,94,935	Rs. 16,09,722/-	(19.55%)	4.64
3	Mr. Harsh Badani	Whole Time Director	Rs. 11,55,108	Rs. 13,46,573/-	(14.22%)	4.14

ii. Percentage Increase in Median Remuneration of Employees in the Previous Year:

Total Employees in FY 2017-18	Median Remuneration of Employees in FY 2017-18	Total Employees in FY 2018-19	Median Remuneration of Employees in FY 2018-19	Percentage Increase
70	256747	78	278883	8.62%