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THIRTEENTH ANNUAL REPORT 1996-97

Senior Management Team

Mr. A. D. Badve	Vice President — Human Resources and Administration
Mr. A. Bhalla	Vice President — Southern Region
Mr. S. R. Bhat	Vice President — Exports
Mr. G. Gangoly	Vice President — Eastern Region
Mr. D. I. Gupta	Vice President — Materials
Mr. K. M. Kanetkar	Vice President — Finance & Secretarial
Mr. G. M. Khanna	Vice President — Total Plant Solutions
Mr. K. K. Khushoo	Vice President — Manufacturing
Mr. R. Makhija	Group Vice President — Industrial Automation & Control
Mr. S. Mansukhani	Sr. General Manager — Western Region

OFFICES : Mumbai, Delhi, Chennai, Calcutta, Baroda, Jamshedpur, Bangalore.

RANGE OF OFFERINGS

INDUSTRIAL AUTOMATION & CONTROL :

Process Control Systems, Microprocessor based Controllers, Recorders, Safety Management Systems, Advanced Control & Optimisation, Dynamic Simulation, Training and a full range of Services.

“SMART” Range of Pressure, Temperature, Flow and Colour Transmitters.

LeCroy Digital Storage Oscilloscopes and Metrum Digital tape recorders.

Teledyne Process Gas Analysers and Gamma Metrics Bulk Material Analysers.

BUILDING AUTOMATION :

Building Management Systems and Controllers, Fire & Security Systems and Controllers, Energy Management Controllers, Building Control products, Training and a full range of Services.

Board of Directors

Mr. J. K. Setna	(Chairman)
Mr. R. S. Hawkins	(Vice Chairman)
Mr. M. N. Bhagwat	(Managing Director)
Mr. F. C. Kohli	
Mr. S. P. Manaktala	
Dr. M. Seth	
Mr. K. M. Chinnappa	
Mr. R. Makhija	
Mr. E. J. Smith	
Mr. M. I. Tambakeras	
Mr. D. Darazsdi	
Mr. M. Muller	
Mr. J. Terhune	
Mr. A. Pratap	(Alternate to Mr. M. I. Tambakeras)

Ms. Sneha Padve *Company Secretary*

Registered Office

Bombay House,
24, Homi Mody Street,
Fort,
Mumbai 400 001
Ph.: 2049131

Head Office

55A/8 & 9, Hadapsar
Industrial Estate
Pune 411 013
Ph.: 670445

Factory

Plots 53, 54, 56 & 57
Hadapsar Industrial Estate
Pune 411 013

Auditors

N. M. Raiji & Co.
Chartered Accountants

Bankers

Canara Bank
The Bank of Tokyo-Mitsubishi Ltd.
Bank of Baroda
State Bank of Travancore
ABN Amro Bank N.V.

Solicitors

S. R. Vakil
Mulla & Mulla and Craigie,
Blunt & Caroe
Ashok Pratap & Co.

Share Registrars

Tata Share Registry Limited,
Army & Navy Building,
148, M.G. Road,
Mumbai 400 001
Ph.: 2873831

NOTICE

NOTICE is hereby given that the **THIRTEENTH ANNUAL GENERAL MEETING** of the Members of TATA HONEYWELL LIMITED will be held on **Monday, September 1, 1997 at 11.30 a.m.** in the Auditorium of Bombay House, 24 Homi Mody Street, Mumbai 400 001 to transact the following business :

1. To consider and adopt the audited Profit and Loss Account for the year ended March 31, 1997, the Balance Sheet as that date and the Reports of the Auditors and the Directors.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr.R.S.Hawkins who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr.M.Muller who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr.M.I. Tambakeras who retires by rotation and is eligible for reappointment.
6. To appoint a Director in place of Mr.J.K.Setna who was appointed a Director of the Company by the Board of Directors effective June 24, 1996 in the casual vacancy caused by the resignation of Mr.P. Sarkar and who, in accordance with Section 262 of the Companies Act, 1956, holds office upto the date of the forthcoming Annual General Meeting of the Company, but is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to the provisions of Section 257 of the Act.
7. To appoint a Director in place of Mr.M.N.Bhagwat, who was appointed an Additional Director of the Company by the Board of Directors with effect from July 1, 1997, under Section 260 of the Companies Act, 1956 and Article 145 of the Articles of Association of the Company and who holds office upto the date of the forthcoming Annual General Meeting but who is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to the provisions of Section 257 of the Act.
8. To appoint Auditors and to fix their remuneration.
9. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT the following Article be added as Article 4 A - Social Responsibilities of the Company in the Articles of Association of the Company:

SOCIAL RESPONSIBILITIES OF THE COMPANY :

"The Company shall have among its objectives the promotion and the growth of the national economy through increased productivity, effective utilisation of materials and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national aspirations; and the Company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community."

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 269, 309, 311 and other applicable provisions of the Companies Act, 1956, the Company hereby approves of the appointment and remuneration of Mr.R.Makhija as a Whole-time Director with effect from March 13, 1997 to June 30, 1997 and his terms of reappointment and remuneration as Whole-time Director designated as President and Chief Executive Officer of the Company for a period of 5 years with effect from July 1, 1997 upon the terms and conditions set out in the draft Agreements submitted to this meeting and for identification signed by the Chairman, which Agreements are hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said Agreements in such manner as may be agreed to between the Directors and Mr.Makhija."

NOTICE (Contd.)

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NOTES:

- a) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item Nos. 6, 7, 9 & 10 set out above, is annexed hereto.
- b) 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.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, July 25, 1997 to Tuesday, August 19, 1997 (both days inclusive).
- d) The payment of dividend as declared at the meeting will be made after September 1, 1997 to those members whose names are on the Company's Register of Members on August 19, 1997.
- e) Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the management to collect the requisite information.
- f) Members are requested to promptly notify any change in their address to the Company's Registrars & Share Transfer Agents, namely, TATA SHARE REGISTRY LTD., Unit THL, Army & Navy Building, 148 M.G.Road, Mumbai 400 001.
- g) In their own interest, members are requested to inform the Company of the name of their Bank branch and Account Number to the Company's Registrars and Share Transfer Agents so as to include these details in the dividend warrant.

By order of the Board of Directors

Mumbai, June 9, 1997

Sneha Padve
Company Secretary

Registered Office:
Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

ANNEXURE TO**THE NOTICE****Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.****Item No.6**

In the casual vacancy caused on the Board by the resignation of Mr.P.Sarkar on March 6, 1996, the Board appointed Mr.J.K. Setna with effect from June 24, 1996. Under Section 262 of the Companies Act, 1956, Mr.Setna holds office only till the date upto which Mr.P.Sarkar in whose place he was appointed would have held office, namely, till the date of the forthcoming Annual General Meeting. A notice has been received from a member as required by Section 257 of the Act, proposing Mr.Setna as a candidate for the office of Director. Mr.Setna is a businessman of wide experience and a Director of several leading companies.

The Directors commend the Resolution for acceptance by the members.

Item No.7

Mr.M.N.Bhagwat retires as Managing Director on June 30, 1997. Pursuant to Section 260 of the Companies Act, 1956, he has been appointed an Additional Director with effect from July 1, 1997 and he holds office only upto the date of the forthcoming Annual General Meeting, and is eligible for reappointment. The Company has received a notice in writing from a member proposing his candidature for the office of Director under the provisions of Section 257 of the Act.

Mr.Bhagwat has been associated with the Company right from its inception and the Directors commend the Resolution for acceptance by the members.

Item No.9

In recent years, the question of the social responsibilities of the corporate sector has become a major issue and it is important that companies encourage and support community and social development and accept their social responsibilities as good corporate citizens. The Company considers the adoption of this Article in the interest of the Company.

The Directors commend the Resolution for acceptance by the members.

The Memorandum and Articles of Association of the Company together with the proposed change is available for inspection by the members of the Company at its Registered Office between the hours of 11 a.m. and 1 p.m. on any working day of the Company.

Item No.10

Mr.R. Makhija was appointed a Director of the Company in the casual vacancy caused by the resignation of Mr.R.N.Tata at the Board Meeting held on March 13, 1997. The Board appointed him Whole-time Director with effect from that date upto June 30, 1997. Mr.Makhija has been reappointed Whole-time Director and designated President & Chief Executive Officer for a period of 5 years with effect from July 1, 1997. Both appointments are subject to the approval of the members.

Mr.Makhija joined the Company in 1989 and is presently working as Group Vice-President Industrial Automation and Control. Mr.Makhija holds a Degree in Engineering and has a wide experience in the fields of Process Control and Instrumentation.

The members' approval is sought for the appointment of Mr.Makhija as Whole-time Director with effect from March 13, 1997 and his appointment as President & CEO with effect from July 1, 1997, on the following principal terms and conditions:-

- I) Mr.R. Makhija, Whole-time Director shall carry out such duties as may be entrusted to him subject to the supervision and control of the Board of Directors.

ANNEXURE TO

THE NOTICE (Contd.)

II) Remuneration:

A. From March 13, 1997 to June 30, 1997 :

Salary	:	Rs.25,000/- p.m.
Perquisites as per Company's rules	:	Upto 125% of Salary.
Company's Contribution to Provident Fund & Superannuation Fund as per Company's Rules	:	Upto 25% of Salary.

B. From July 1, 1997 to June 30, 2002 :

1. Salary :

Rs.30,000/- p.m. in the scale of Rs.30,000 - 50,000. The annual increment, which will be effective April 1, every year, will be decided by the Board and will be merit based and take into account the Company's performance.

2. Commission :

Such remuneration by way of commission, in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year subject to the overall ceilings stipulated in Sections 198 and 309 of the Act. The Commission payable to the Whole-time Director will be limited to and range from six months to four years of his annual salary to be determined by the Board at the end of each financial year. The specific amount payable to the Whole-time Director will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the members.

3. Perquisites & Allowances :

- In addition to the salary and commission payable, the Whole-time Director shall also 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, furnishings and repairs; medical reimbursement; leave travel concession for himself and his family; club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the Whole-time Director; such perquisites and allowances will be subject to a maximum of 125% of his annual salary.
- For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.
- Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act; gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of the limits for the remuneration or perquisites mentioned above.

4. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Whole-time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above.

ANNEXURE TO**THE NOTICE** (Contd.)

- IV) The terms and conditions of the said reappointment and/or draft 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 whole-time directors in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.
- V) The Agreement may be terminated by either party giving the other party six months notice of such termination or the Company paying six months salary in lieu thereof.
- VI) If at any time the Whole-time Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Whole-time Director.
- VII) If at any time, the Whole-time Director ceases to be a Whole-time Director for any cause whatsoever, he shall cease to be a Director of the Company.
- VIII) The Whole-time Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1) (I) of the Act.
- IX) If at any time the Whole-time Director ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
- X) The Whole-time Director shall not be entitled to supplement his earnings under the 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.
- XI) The Whole-time Director shall not have the following powers:-
 - a) the power to make calls on shareholders in respect of monies unpaid on shares in the Company;
 - b) the power to issue debentures; and
 - c) the power to invest the funds of the Company in shares, stocks and securities.

In compliance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the terms of appointment and remuneration of the Whole-time Director are placed before the members in General Meeting for their approval.

The draft Agreements between the Company and Mr.R. Makhija, Whole-time Director are available for inspection by the members of the Company at its Registered Office between the hours of 11 a.m and 1 p.m. on any working day of the Company.

Mr.R. Makhija, Whole-time Director of the Company, is concerned or interested in the Resolution at item no.10 of the Notice.

This may be treated as an abstract of the draft Agreements between the Company and Mr.R. Makhija, Whole-time Director, pursuant to Section 302 of the Act.

The Directors commend the Resolution for acceptance by the members.

By order of the Board of Directors

Mumbai, June 9, 1997

Sneha Padve
Company Secretary

Registered Office:

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

DIRECTORS' REPORT

TATA Honeywell
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Dear Members,

The Directors hereby present the **THIRTEENTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended March 31, 1997.

1. Financial Results :

Particulars	Year ended March 31, 1997 (Rs. in lacs)	Year ended March 31, 1996 (Rs. in lacs)
Sales & Other Income	16723.91	16138.08
Operating Profit	1754.07	1250.90
Less : Interest	791.76	748.69
Depreciation	117.43	105.51
Amortisation of Miscellaneous Expenditure	33.96	14.96
Profit for the year	811.12	381.74
Prior period adjustments	319.69	31.79
Provision for taxation	104.70	52.21
PROFIT AFTER TAX	386.73	297.74
Profit brought forward from the previous year	263.10	256.96
Profit available for appropriations	649.83	554.70
APPROPRIATIONS		
General Reserve	200.00	150.00
Proposed Dividend	158.97	141.60
Tax on proposed dividend	15.89	—
BALANCE CARRIED FORWARD	274.96	263.10

2. DIVIDEND

The Directors recommend payment of dividend for the year ended March 31, 1997 at the rate of Rs.2.00 per share.

3. OPERATIONS

The total income recorded an increase of 4 % over the previous year. The uncertain economic environment however had its impact on new orders. Largely on account of postponed purchasing decisions, these are 30% below last year. The company however expects that with these decisions coming through in the current year, new orders in the current year will register substantial growth over the year under review. Due to improved profitability of the operations, profit after tax registered a growth of 30% over the previous year.

3.1 INDUSTRIAL AUTOMATION & CONTROL SYSTEMS

The Industrial Automation and Control Systems business is the largest segment of the Company's business, accounting for 70% of its revenue. The company has achieved the largest market share amongst all the competitors and has now sold over 250 TDC 3000 systems to cater to the various segments of the Indian Industry.

During the year, the company established a new platform – SCAN 3000 - for small and medium applications. This platform was well accepted in the market place with several key orders in metals and mining, pipelines SCADA and energy management. The growth represented by this product was tremendous.

3.2 FIELD TRANSMITTERS AND ANALYZERS

The Company continues to make good progress in marketing ST-3000 Smart Transmitters which bring the benefits of "digital integration" with TDC 3000 systems to the users.

Sales of analysers and measuring instrumentation which the company sells under distributorship agreements of well renowned companies registered good growth.

3.3 INDUSTRIAL SERVICES

The Industrial services business includes customer support services and the activities of the JRD Tata Automation Training Centre. With growth in the installed base of the Company's products and recognition by the customers of the value of the services provided, this business grew by 35% over last year. The Industrial services business continues to be a significant part of the Company's business activities achieving the twin objectives of ensuring continuing customer satisfaction and profitable growth.

3.4 HI-SPEC SOLUTIONS

During the year the company established a full-fledged division, Hi-Spec Solutions (India) to offer high value products and services including Advanced Controls, Oil Movement & Storage Systems and Dynamic Simulators. Necessary engineering resources have been staffed in this division and sales and marketing activities have been taken up vigorously. The products and services of this division have been well accepted by the market and several prospects are under finalization.

3.5 MANUFACTURING

The technology absorption of the processor and communication modules of the 620 LCS product was completed and commercial production started. All the requirements of these modules for industrial systems were met indigenously resulting in considerable material cost savings.

Emphasis was laid on improvement in the production and the material sourcing process to reduce inventory build up. This resulted in reduction of nearly 30 % in raw material inventory over the previous year.

Quality Systems were put in place for the Smart Transmitter manufacturing which resulted in the facility getting the ISO 9001 accreditation.

3.6 BUILDING CONTROLS

The Building Automation Control Systems revenue registered a growth of 45% over the previous year. New orders were 20% below last year with customers postponing investment decisions, as in the case of the Industrial Systems business.

3.7 EXPORTS

The export of engineering services and products during the year under review amounted to Rs.6.71 Crores.

During the year, the company took the necessary steps to set up a Software Technology Park (registered as a new undertaking with Software Technology Park – Pune). The commercial activity of the software technology park will commence in the current year. Benefits of this Software Centre will be realized over the coming years.

4. RIGHTS ISSUE

In July 1996, the Company came out with an Issue of Equity Shares on Rights basis aggregating Rs.12.38 crores to finance normal capital expenditure and to augment working capital resources of the Company. The issue was subscribed to the extent of 99.55% of the offer and allotment of the Equity Shares was made in October 1996.