

TATA Honeywell



**FIFTEENTH
ANNUAL REPORT
1998-99**

Vision

To be the leading automation

and control company,

achieved through

Total Customer Satisfaction

Market Leadership

Strong Financial Performance.

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To be an organisation best known for

Professionalism

Business Ethics and Integrity

World-class people.

Board of Directors

Mr. J. K. Setna	(Chairman)
Mr. E. Castro-Wright	(Vice Chairman)
Mr. R. Makhija	(Managing Director)
Mr. F. C. Kohli	
Dr. M. Seth	
Mr. K. A. Chaukar	
Mr. C. Harting	
Mr. D. Darazsdi	
Mr. P. Christopherson	
Mr. A. Pratap	(Alternate to Mr. C. Harting)
Ms. Sneha Padve	(Company Secretary)

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Senior Management Team

Mr. A. D. Badve	Vice President — Human Resources & Administration
Mr. S. R. Bhat	Vice President — Exports
Mr. V. K. Deshpande	Vice President — Total Plant Solutions
Mr. G. Gangoly	Vice President — Customer Support Services
Mr. D. I. Gupta	Vice President — Materials
Mr. K. M. Kanetkar	Vice President — Building Control
Mr. G. M. Khanna	Vice President — Industrial Automation & Control
Mr. K. K. Khushoo	Vice President — Manufacturing
Mr. D. N. Sowani	Controller — Finance & Secretarial

Registered Office

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

Solicitors

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

Auditors

N. M. Raiji & Co.
Chartered Accountants

Bankers

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

Share Registrars

Tata Share Registry Ltd.,
Army & Navy Bldg.,
148, M.G. Road,
Mumbai 400 001
Ph.: 2873831
Fax : 2844160
Website : www.tata.com/tsrl

NOTICE**TATA Honeywell**
ANNUAL REPORT 1998-99

NOTICE is hereby given that the **FIFTEENTH ANNUAL GENERAL MEETING** of TATA HONEYWELL LIMITED will be held **at 11.30 a.m. on Thursday, August 5, 1999** in the Auditorium of Bombay House, 24 Homi Mody Street, Mumbai 400 001 to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended March 31, 1999 and the Balance Sheet as at that date.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr.J.K. Setna who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr.Dan Darazsdi who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr.K.A. Chaukar who was appointed a Director of the Company by the Board of Directors effective May 31, 1999 in the casual vacancy caused by the resignation of Mr.S.P. Manaktala, 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.
6. To appoint Auditors and to fix their remuneration.

NOTES:

- a) 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.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, June 29, 1999 to Friday, July 16, 1999 (both days inclusive).
- c) The payment of dividend as declared at the meeting will be made after August 5, 1999 to those members whose names are on the Company's Register of Members on July 16, 1999.
- d) 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 reply at the general meeting.
- e) 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.
- f) 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.
- g) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders, debentureholders and fixed deposit holders in respect of the shares, debentures and deposits held by them. Nomination forms can be obtained from the Share Registrars of the Company.

By order of the Board of Directors

Sneha Padve
Company Secretary

Pune, May 31, 1999

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

TO THE MEMBERS OF TATA HONEYWELL LIMITED

The Directors hereby present the **FIFTEENTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended March 31, 1999.

1. Financial Results :

Particulars	Year ended March 31, 1999 (Rs. in lacs)	Year ended March 31, 1998 (Rs. in lacs)
Sales & Other Income	23217.24	17722.73
Operating Profit	2367.43	1642.14
Less : Interest	581.11	626.37
Depreciation	210.59	181.82
Amortisation of Miscellaneous Expenditure	27.33	25.09
Profit for the year	1548.40	808.86
Prior period adjustments	182.20	143.33
Provision for taxation	255.15	129.86
PROFIT AFTER TAX	1111.05	535.67
Profit brought forward from the previous year	341.80	274.96
Profit available for appropriations	1452.85	810.63
APPROPRIATIONS		
General Reserve	500.00	250.00
Proposed Dividend	353.67	198.94
Tax on proposed dividend	35.37	19.89
BALANCE CARRIED FORWARD	563.81	341.80

2. DIVIDEND

The Directors recommend payment of dividend for the year ended March 31, 1999, at the rate of Rs.4.00 per share.

3. OPERATIONS

The total income recorded an increase of 31% over the previous year. The economic environment continued to be sluggish for almost the entire year. In spite of this, the Company achieved this growth by focussing sharply on its customers and operational efficiencies. The PAT recorded a phenomenal growth of 2.1 times over that of the previous year.

The Company has a healthy order book position, which is being carried over to the following year. On the operational front, significant improvements in working capital performance, enhanced productivity and higher customer satisfaction were recorded.

DIRECTORS'**TATA Honeywell**
ANNUAL REPORT 1998-99**REPORT** (Contd.)**3.1 INDUSTRIAL AUTOMATION AND CONTROL SYSTEMS**

The Company maintained its dominant market position for the Systems business, with an industry highest market share of about 40%. Major contract wins came from the Power sector with a 2 x 120 MW Utilities Power project at Jojobera for Tata Electric Companies, valued at Rs.30 crores and the Oil & Gas Sector, where THL contracted a Rs. 19 crores Offsite Automation Project for Haldia Petrochemicals. Our new Oil & Gas solution with Hybrid Control system gained strong acceptance and orders worth about Rs.10 crores were booked for Terminal Automation Projects.

3.2 MEASUREMENT AND CONTROL

Tata Honeywell expanded its Products portfolio with the acquisition of distribution rights for the complete Honeywell product line from Honeywell, Europe, effective January 1, 1999. With the addition of Industrial Control and Building Control Products, Tata Honeywell's capability and approach of offering a single window for complete solutions was welcomed by Customers.

With a strong order book position, an expanded customer base and wider geographical spread, the Distribution network was expanded to 40 distributors during the year and is currently being revised upwards. This will ensure speed-to-market, strengthened supply chain management and more responsive customer service.

3.3 INDUSTRIAL SERVICES

Industrial Services focussed on Y2K readiness in 1998-99, which was a crucial year for preparing the ground and educating customers about Year 2000 concerns and issues and their need for Y2K ready Systems. A good amount of time, energy and effort was dedicated to this task.

The Company's Services business continued to grow significantly over the previous year, both financially and qualitatively in terms of customer satisfaction indices. The Services portfolio now covers areas of Engineering Consultancy and Networking services, in addition to the standard warranty and post warranty support services.

3.4 HI SPEC SOLUTIONS

Hi-Spec Solutions (India) aggressively penetrated all its lines of businesses, registering orders in Advanced Process Control, Operator Training Simulators and Integrated Information Systems (IIS). With market indicators showing application software and advanced services as high growth opportunities, Hi-Spec consolidated its market position in its flagship market - Hydrocarbon Processing Industries with several additional orders. As the Indian Process industry matures, there is a perceptible but definite shift to higher levels of control and information systems — and Hi-Spec has the right solution fit for these needs

This year, Hi-Spec Solutions also laid strong emphasis on efficient technology transfer and on building a talented and a strong local implementation team to deliver cost-effective advanced software solutions to Indian customers.

3.5 MANUFACTURING

During the year, two major initiatives were undertaken and completed on plan resulting in Product cost reduction and improved customer response. The first was establishing the India Regional Delivery Center, (IRDC) for Smart Transmitter products, which resulted in 15% cost reduction and a shorter delivery cycle to Customers. The second was establishing local manufacturing capability for certain parts of the FSC product which yielded cost savings of around 3%.

3.6 BUILDING CONTROL

Business growth was hampered due to a continued slow down in building construction. Despite lower activity levels, Tata Honeywell maintained volumes by winning significant orders for an Integrated Building Management System from Signature Towers (a Project by Unitech Ltd.), and for Fire Alarm Systems from Tata Steel.

Performance Contracting — which guarantees Customers a Return on investments from energy and operational cost savings — was identified as a promising new business area to expand the customer base and appreciable growth is expected from this area.

Building Control also registered a marked improvement in Customer Satisfaction levels with focus on an improved supply chain management and closure of outstanding customer issues.

3.7 EXPORTS

Tata Honeywell's strategic agreement to provide Remote Engineering Services to Honeywell's North American Engineering Center continues to register growth and its scope is being further expanded to include Europe. The Software Technology Park (STP) operations are now well established in Pune, and during the year, the STP operations were expanded at Chennai. Honeywell continues to benefit from our world-class quality Remote Engineering Services to its worldwide operations and the outlook for this business remains bright.

4. BUSINESS OUTLOOK

The Company is well positioned for growth. With our core strengths of a strong technology base and an improved business mix, the company remains on track to achieve significant growth as well as improved profitability. The political environment and its resulting impact on the economic situation remains a cause of some concern on the capital spending policies of the company's major customer base. However, both the Industrial Automation & Control and Building Control businesses have been re-aligned to address emerging growth opportunities and to offset or minimise their impact on the Company's performance.

- **Industrial Automation and Control (IAC) :** The alignment of the IAC businesses with the emerging infrastructural expansion in the country will provide major opportunities in Oil & Gas transportation, Power and Liquefied Natural Gas (LNG). The Company has set in place dedicated teams to address these opportunities. The prospects for growth in Hi-Spec Solutions are extremely bright by virtue of large investments being made in Enterprise Resource Planning (ERP), Integrated Information Systems (IIS) as well as Advanced Process Control.
- **Building Control :** We expect the markets for Building Controls Solutions to grow significantly. Emphasis on safety, security and comfort continue to build a strong demand base for this business. The Company has focussed on providing these solutions in the Industrial as well as Commercial market segments.
- **Exports :** The suite of Engineering and Software services offered by Exports finds a significant customer base in Honeywell companies around the world. A robust IT network has been put in place to promote a "virtual" remote engineering model. Work processes and systems are constantly being upgraded and strengthened to maintain the highest levels of Quality and Productivity for our deliverables. This business now services a major portion of the Industrial Automation as well as the Building Control engineering requirements in North America and Europe.

5. FINANCE

During the year, the Company successfully completed the private placement of a series of Non-convertible Debentures aggregating to Rs.10 crores to augment long term working capital requirements. The Company also received a PR1+ rating for its Commercial Paper Programme from ICRA for an amount of Rs.30 crores.

DIRECTORS'**REPORT** (Contd.)**6. COMMUNITY DEVELOPMENT WORK**

Tata Honeywell is an active member of the Tata Council for Community Initiatives (TCCI) and is involved in several projects of social importance. In support of the need for computer literacy, the Company has donated Personal Computers to various schools and also to the Pune Municipal Corporation for imparting computer training to Municipal school teachers. Tata Honeywell's employees at Calcutta donated medicines, clothes and also rendered monetary help to the needy people of Malda town. A water scheme was completed at village Kolwadi, Maharashtra in association with Rotary Club, Pune. The Company has been involved in poultry farming projects, fishery projects and has co-ordinated tree plantation activities in Sirur taluka. The Company provided training to villagers in Sirur, on using the existing facilities of a paper conversion unit. The Company also helped villagers in procuring some orders for this project.

7. YEAR 2000 (Y2K) COMPLIANCE

The Management of the Company is fully cognizant of issues and concerns rising from the Year 2000 rollover and has already initiated pro-active measures to anticipate and counter any adverse fallout.

The Executive Sponsor for Tata Honeywell's internal Y2K compliance program is the Company's Managing Director who periodically reviews progress against a time-tabled schedule of events in conjunction with the Head - Corporate Quality and Systems. A full time Y2K coordinator has been appointed to drive the implementation to all operational levels and to ensure internal company-wide compliance.

Some of these measures include Systems upgrades; installation of Y2K patches and switching to Y2K ready platforms/software, with the necessary training. The Company expects that all its internal systems & applications will be Y2K ready by June 1999.

To plug gaps with its external interface agencies, the Company designed a comprehensive questionnaire on Y2K related issues and circulated it to our Bankers, Financial Institutions, Suppliers and Vendors in an on-going exercise. Evaluation of Responses will be followed by an audit of a representative sample of critical suppliers /vendors.

Customer Audit Questionnaires and Proposals for upgrades have also been sent to Customers and the process for upgrading Customers is well under control and is proceeding according to plan.

The Company has estimated a fund outlay of Rupees One Crore for ensuring internal and external Y2K compliance. This cost will not have a material impact on the operations, cash flows or other financial parameters in future periods.

Risks/Contingency Plans: The situation of a critical supplier not being able to provide a Year 2000 ready product, or a supplier being adversely affected by the Y2K issue, might result in disruption of THL operations or processes. The final evaluation, identification of issues and Contingency Plans for substitute materials and alternate suppliers will be completed by August 1999.

8. DIRECTORS

During the year under review and upto the date of this report, Mr. E.J. Smith, Mr. J. Terhune and Mr. R.S. Hawkins, nominees of Honeywell, resigned as Directors of the Company. Similarly, Mr. K.M. Chinnappa and Mr. S.P. Manaktala have also stepped down from the Board of Directors. The Board places on record its appreciation for the services rendered by these Directors. Mr. Eduardo Castro-Wright has been appointed as a Director nominated by Honeywell.

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. J.K. Setna, Mr. D. Darazsdi, Directors, retire by rotation and are eligible for reappointment. Mr. K.A. Chaukar retires as a Director appointed in a casual vacancy and is eligible for reappointment.

9. AUDITORS

M/s.N.M. Raiji & Co., the Statutory Auditors, retire at the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received the certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limits specified in Section 224(1-B) of the Companies Act, 1956.

10. OTHER INFORMATION

Information as per Section 217 of the Companies Act, 1956, as amended, pertaining to absorption of technology, foreign exchange earnings and outgo and particulars of employees, is given as an Annexure to this Report and forms part of it.

11. ACKNOWLEDGEMENT

The Board would like to place on record its appreciation and thanks to all its employees for their support. The Board also wishes to acknowledge the support it has received from its Bankers and from the Financial Institutions.

For and on behalf of the Board

J.K. SETNA
Chairman

Pune, May 31, 1999

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

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