



**Sixteenth Annual Report
1999-2000**

Vision

To be the leading automation
and control company,

achieved through

Total Customer Satisfaction

Market Leadership

Strong Financial Performance.

To be an organisation best known for

Professionalism

Business Ethics

Integrity

World-class people.

Board of Directors

Mr. J. K. Setna	(Chairman)
Mr. E. Castro-Wright	(Vice Chairman)
Mr. V. K. Deshpande	(Managing Director)
Mr. F. C. Kohli	
Dr. M. Seth	
Mr. K. A. Chaukar	
Mr. J. Wolraad	
Mr. S. Allison	
Mr. R. Makhija	
Mr. A. Pratap	(Alternate to Mr. C. Harting)
Ms. Sneha Padve	(Company Secretary)

Senior Management Team

Mr. K. Amuthan	Head	— Human Resources & Administration
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

Mulla & Mulla and Craigie
Blunt & Caroe
Ashok Pratap & Co.

Auditors

N. M. Raiji & Co.
Chartered Accountants

Bankers

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

Contents

Notice	2 - 5
Directors' Report	6 - 12
Ten Year Highlights	13
Graphs	14
Auditors' Report	15 - 17
Balance Sheet	18
Profit & Loss Account	19
Schedules 1 to 18	20 - 29
Cashflow Statement	30
General Business Profile	31 - 32

NOTICE

NOTICE is hereby given that the **SIXTEENTH ANNUAL GENERAL MEETING** of TATA HONEYWELL LIMITED will be held at 11.30 a.m. on Friday, July 21, 2000 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, 2000, the Balance Sheet as at that date.
2. To appoint a Director in place of Mr.F.C. Kohli who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr.E.Castro-Wright who was appointed a Director of the Company by the Board of Directors effective July 1, 1998 in the casual vacancy caused by the resignation of Mr.R.S. Hawkins, 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.
4. To appoint a Director in place of Mr.J. Wolraad who was appointed a Director of the Company by the Board of Directors effective March 31, 2000 in the casual vacancy caused by the resignation of Mr.Craig Harting, 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.
5. To appoint a Director in place of Mr.V.K. Deshpande, who was appointed an Additional Director of the Company by the Board of Directors with effect from March 31, 2000, 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 of the Company, 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.
6. 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 and other applicable provisions of the Companies Act, 1956, the Company hereby approves of the appointment and remuneration of Mr.V.K. Deshpande as Managing Director, with effect from April 1, 2000 upto March 31, 2005, upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification signed by the Chairman, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Directors and Mr.Deshpande."
7. To appoint Auditors and to fix their remuneration.

NOTES:

- a) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item nos. 3 to 6 set out above is annexed hereto.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 20, 2000 to Tuesday, July 25, 2000 (both days inclusive).
- c) 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.
- 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) The time limit for transfer from unpaid dividend to the Central Government has been enhanced from three years to seven years, effective October 31, 1998 as per Section 205C inserted by Clause 12 of the Companies (amendment) Act, 1999.
- g) Members, who have not encashed their dividend warrants for the financial year ended March 31st, 1995 may claim the unclaimed dividend directly from the Registrar and Share Transfer Agents.
- h) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders, debenture-holders 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.
- i) The Company has entered into agreements with National Securities Depository Ltd. and Central Depository Securities Ltd. for dematerialisation of its shares. Institutional investors are required to compulsorily trade in Demat from the 26th of June 2000. A guidance note has been sent to the shareholders along with the interim dividend warrants. Shareholders are requested to avail the advantages of trading in Demat.
- j) Shareholders will have to collect the Auditorium Entry Pass from the reception and hand over the same at the entrance of the Auditorium. No handbags/parcels of any kind will be allowed inside the Auditorium. Members are requested to deposit the same outside the Auditorium on the counter provided, at their own risk.

By order of the Board of Directors

Sneha Padve
 Company Secretary

Pune, May 31, 2000

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

EXPLANATORY STATEMENT

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Honeywell
ANNUAL REPORT 1999-2000

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

Item No.3

Mr.E. Castro-Wright was appointed a Director of the Company in the casual vacancy caused by the resignation of Mr.R.S. Hawkins. Pursuant to Section 262 of the Companies Act, 1956, Mr.Castro-Wright holds office only till the date upto which Mr.Hawkins, in whose place he was appointed would have held office, namely, till the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member as required by Section 257 of the Act, proposing the appointment of Mr.Castro-Wright as a Director of the Company.

The Directors commend the Resolution for acceptance by the Members.

Item No.4

Mr. John Wolfraad was appointed a Director of the Company in the casual vacancy caused by the resignation of Mr. Craig Harting. Pursuant to Section 262 of the Companies Act, 1956, Mr.Wolfraad holds office only till the date upto which Mr.Harting, in whose place he was appointed would have held office, namely, till the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member as required by Section 257 of the Act, proposing the appointment of Mr.Wolfraad as a Director of the Company.

The Directors commend the Resolution for acceptance by the Members.

Item Nos. 5 & 6

Mr.Vinayak Deshpande was appointed by the Board of Directors at its meeting held on March 31, 2000, as an Additional Director of the Company prior to being appointed the Managing Director. He therefore 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 as required by Section 257 of the Act, proposing the appointment of Mr.Deshpande as a Director of the Company. Mr. Deshpande is a Chemical Engineer by training and had joined the services of the Company in 1989. He has held various management positions and has wide experience of the various businesses of the Company.

Mr.V.K. Deshpande was appointed the Managing Director of the Company for a period of 5 years with effect from April 1, 2000 upto March 31, 2005, subject to the approval of the shareholders on the following terms and conditions:

- I) Mr.V.K. Deshpande, Managing Director shall carry out such duties as may be entrusted to him subject to the supervision and control of the Board of Directors.
- II) Remuneration: A salary scale of Rs.50,000/- to 1,50,000/- per month, with authority to the Board to fix his salary within this scale from time to time. The annual increment will be merit based and take into account the Company's performance.
 1. **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 specific amount payable to the Managing 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.
 2. **Perquisites and Allowances:**
 - a) In addition to the salary and commission payable, the Managing Director shall also be 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 Managing Director; such perquisites and allowances will be subject to 125% of his annual salary.
 - b) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per income tax rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

- c) Provision for the 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 and allowances for the purpose of calculating the said ceiling.
- d) 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 tenure shall not be included in the computation of the limits for the remuneration, perquisites and allowances mentioned above.

3. **Minimum remuneration:** Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary, perquisites and allowances specified above.

- III) The terms and conditions of the said appointment and Agreement may be altered and varied from time to time by the Board, as it may, in its discretion, deem fit within the maximum amounts payable to managing directors in accordance with Schedule XIII of the Companies Act, 1956 or any amendments made hereafter in this regard.
- IV) The Agreement may be terminated by either party giving the other party six months' notice of such termination or the Company paying six months remuneration in lieu thereof.
- V) If at any time, the Managing Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director.
- VI) If at any time, the Managing Director ceases to be a Managing Director of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
- VII) The Managing Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Act.
- VIII) If at any time, the Managing Director ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
- IX) The Managing 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.
- X) The Managing 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 Sections 269, 309 and other applicable provisions of the Companies Act, 1956, the terms of appointment and remuneration of the Managing Director is placed before the members in General Meeting for their approval.

The draft Agreement between the Company and Mr.V.K. Deshpande, Managing Director is available for inspection by the Members of the Company at the Registered Office of the Company between the hours of 11 a.m. and 1 p.m. on any working day of the Company.

This may also be treated as an abstract of the draft Agreement between the Company and Mr.V.K. Deshpande, Managing Director, pursuant to Section 302 of the Act.

Mr.V.K. Deshpande, Managing Director is concerned or interested in the resolutions at Item Nos.5 & 6 of the Notice.

The Directors commend the Resolution for acceptance by the Members.

By order of the Board of Directors

Sneha Padve
Company Secretary

Pune, May 31, 2000

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

DIRECTORS' REPORT

TO THE MEMBERS OF TATA HONEYWELL LIMITED

The Directors present the **SIXTEENTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended March 31, 2000.

1. Financial Results :

Particulars	Year ended March 31, 2000 (Rs. in lacs)	Year ended March 31, 1999 (Rs. in lacs)
Sales & Other Income	27918.66	23217.24
Operating Profit	3617.08	2367.43
Less : Interest	548.08	581.11
Depreciation	556.87	210.59
Amortisation of Miscellaneous Expenditure	27.33	27.33
Profit for the year	2484.80	1548.40
Prior period adjustments	106.70	182.20
Provision for taxation	450.00	255.15
PROFIT AFTER TAX	1928.10	1111.05
Profit brought forward from the previous year	563.81	341.80
Profit available for appropriations	2491.91	1452.85
APPROPRIATIONS		
General Reserve	1000.00	500.00
Interim Dividend	530.50	—
Proposed Dividend	—	353.67
Dividend Distribution Tax	58.36	35.37
BALANCE CARRIED FORWARD	903.05	563.81

2. DIVIDEND

Interim dividend @Rs.6 per share of Rs.10/- each was declared by the Board in their meeting held on March 31, 2000. No final dividend has been recommended by the Board.

3. OPERATIONS

The total income recorded an increase of 21% over the previous year. The Company achieved this growth by focussing keenly on operational efficiency and customer satisfaction. The PAT recorded a very healthy growth of almost twice that of the previous year. On the operational front, significant improvements in working capital performance, enhanced productivity and higher customer satisfaction were recorded.

The global merger of Honeywell Inc. with Allied Signals Inc. has had a very positive impact on the operations of the Company. Various businesses of both companies will be supported by a unified management structure and our Company expects to gain from the synergy between the various Strategic Business Units.

DIRECTORS'**REPORT** (Contd.)**3.1 INDUSTRIAL AUTOMATION AND CONTROL SYSTEMS**

Our focus on the growing market of Oil & Gas (O&G) and Power Generation enabled us to retain market leadership. Major contract wins came from the O&G sector where we were awarded a large order worth Rs. 20 crores from GAIL for the instrumentation work of Jalandhar Loni cross country pipeline, whereas in the Power Generation Sector, we won contracts of almost Rs. 20 crores for Renovation and Modernisation of Captive Power Plant projects. In the Refining sector, we maintained our market leadership by winning two out of three Diesel Hydro Treating (DHT) units of IOC's Guwahati and Digboi refineries. The Company successfully developed solutions for Rail & Truck Terminal Automation and Pipeline SCADA Solutions.

3.2 MEASUREMENT AND CONTROL

After acquisition of distribution rights for all Honeywell product lines, the first year of operation has been very encouraging. The integration of products business offers a single window to all Indian customers and the order intake has been an impressive Rs.11 crores.

The Products Business Unit has increased its penetration in the marketplace through the appointment of distribution channel partners. The marketing initiative through various means like the media, road shows etc. enhanced the Company's image as also the product supply. The Products Business Unit has laid emphasis on strengthening the supply chain management to ensure better customer satisfaction.

3.3 INDUSTRIAL SERVICES

The year 99-00 was a crucial year for the Industrial Services business from the Year 2000 rollover point of view. As a result of our early preparation in 1998-99 and formation of a task force in the year 1999, all the Control Systems installed were successfully rolled over to Year 2000 without any plant interruption. The field services have been enhanced in a manner designed to achieve higher customer satisfaction.

The Services business showed very healthy growth, both financially and qualitatively. In order to expand the area of Services, the Industrial Services Business has migrated into providing Total Facility Management Services, which involves Consultancy Services, Post Warranty Support and Software Enhancement Services. Industrial Services were able to win the first of this type of contract for the Haldia Petrochemical Complex, valued at Rs. 9 crores.

3.4 HI SPEC SOLUTIONS

Hi-Spec Solutions business consolidated their operation by successfully building up the team for strong local implementation and efficient technology transfer from Hi-Spec Singapore. The highlights of this business include the successful commissioning of two of the Advanced Process Control (APC) projects of IOC's Guwahati and Baroda refineries and the OM&S project of HPCL, Mumbai. Hi-Spec implementation skills have been recognised worldwide and as a testimony to this, Hi-Spec Singapore have sub-contracted substantial work to THL. We now have access to key technologies from Booner & Moore in the area of Supply Chain Management Solutions, which would provide us a significant edge over the competition.

Hi-Spec Solutions continues to be our biggest initiative for profitable growth. With the booming Internet economy and the globalisation of Indian businesses, we expect this business to expand very rapidly.

3.5 MANUFACTURING

During the year, an indigenisation plan was developed and implemented to increase the cost competitiveness of our Smart Pressure Transmitters and Home Security Products. As part of the plan, Digital Meters were locally developed and certified for use with the Transmitters. Indigenisation of major components required for the Home Security Products was initiated.

DIRECTORS' REPORT *(Contd.)*

TATA Honeywell
ANNUAL REPORT 1999-2000

3.6 BUILDING CONTROL

This business has shown a significant growth of almost 50% in orders/revenue over that of the previous year. Growth was registered in both the existing areas as well as new initiatives incorporating enhanced service offerings. Major orders received include those from ITC Hotels for a luxury hotel under construction at Mumbai, Tata Electric for their power plant at Jojobera, and Apollo Hospitals at Hyderabad.

This business continued to focus on its customer delivery processes and efforts in this direction have started yielding the desired results. Order execution tracks customer requirements more closely and the business now has in place a delivery organisation aligned to business needs. In the first contract received for energy retrofits incorporating guaranteed savings, actual savings delivered by the installed system are ahead of those committed contractually.

With the rapid expected development of the economy beyond the traditional industrial sectors, this business is well poised to register very substantial growth in the coming years. The business is putting together its strategies for determining the customers and relevant products and services in areas where it has the solutions to deliver maximum value, in order to secure profitable growth.

3.7 EXPORTS

Tata Honeywell's strategic agreement to provide Remote Engineering Services to Honeywell's North American Engineering Centre continues to register growth and its scope has been extended to Europe this year. The Software Technology Park (STP) operations at Chennai are now well established. Honeywell continues to appreciate our world-class quality Remote Engineering Services to its worldwide operations and the outlook for this business remains bright.

3.8 HOME SECURITY BUSINESS

During the year, the Company launched its Home Security Solutions Business. The Home Security solutions provide for a customised security solution for detection of any unauthorized intrusion, fire, gas leak or any other emergency in the house, shop or any other small establishment and sounds out an alarm, locally or remotely and facilitates the rushing in of assistance. In order to provide total protection to the customer, your Directors are considering a proposal to enter into a joint venture with Group 4 Securitas Guarding Pvt. Ltd., a large private professional security organisation to provide round-the-clock Central Monitoring Services (CMS). This joint venture Company would offer the services of sale of security products and also monitoring and response services on a nation-wide basis and would be the exclusive CMS and Response service providing entity.

4. BUSINESS OUTLOOK

- **Industrial Automation and Control (IAC) :** The infrastructural expansion in the country in the O&G, Power and Liquefied Natural Gas (LNG) continue to remain as the major opportunities. The IAC business is structured well in line to address these opportunities. Total Plant Management is a new business model adopted by the Company under which we sign a long-term agreement with customers for Outsourcing or Co-Sourcing Automation Functionality under a Value-Based Service Contract. With the changing market environment in India, your Company has decided to take this business model to the market by targeting a few customers, which will benefit our customers with assured performance of our systems, as well as our Company, by a steady flow of revenue every year besides helping in developing a close relationship with them.

Prospects for the growth of Hi-Spec business in the Manufacturing Enterprises Solutions (MES) area seem very positive. The recent acquisitions by Honeywell and some of the local alliances made by your Company will help in expanding this business in the coming years.