

Board of Directors

Mr. Madhukar Bhagwat	(Chairman & Independent Director)
Mr. Shane Tedjarati	(Director)
Mr. Norman Gilsdorf	(Director)
Mr. Gerard Willis	(Director)
Mr. Surendra Rao	(Independent Director)
Mr. Anant Maheshwari	(Managing Director)
Ms. Sneha Padve	(Company Secretary)

Senior Management Team

Mr. Ananthanarayanan K. V.	Head - Legal
Mr. Bagaitkar Ravi	Head - Honeywell Operating System
Mr. Bansal Rohit	Head - Sensing & Controls
Mr. Bhatia Vivek	Head - Global Services
Mr. Biswas Amitava	Head - Process Solutions
Mr. Chadha Vikas	Head - Building Solutions
Mr. Kamal Asad	Head - Strategy & Marketing
Mr. Kelkar Anant	Head - Integrated Supply Chain
Mr. Limaye Prasad	Head - Audit & Internal Controls
Mr. Mitter Kaushik	Head - Human Resources
Mr. Patil Ajay	Chief Financial Officer
Mr. Pradhan Ninad	Head - Environment & Combustion Controls

Registered Office

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013.

Auditors

Price Waterhouse & Co., Bangalore
Chartered Accountants

Bankers

Citibank N. A.
Royal Bank of Scotland

Registrar & Transfer Agent:

TSR Darashaw Ltd.
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road, Mahalaxmi,
Mumbai 400 011.

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NOTICE is hereby given that the **TWENTY-NINTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held **at 2.00 p.m. on May 3, 2013** in Honeywell Automation India Limited, 56 & 57, Hadapsar Industrial Estate, Pune 411 013 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Statement of Profit and Loss for the year ended December 31, 2012 and the Balance Sheet as at that date.
2. To declare dividend.
3. To appoint a Director in place of Mr. S.L. Rao who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Gerard Willis who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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 Section 309 and other applicable provisions, if any, of the Companies Act, 1956 a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing Director) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year of the period of five years commencing with the financials for the year commencing January 1, 2012."

7. **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 re-appointment and change in remuneration of Mr. Anant Maheshwari as Managing Director, with effect from March 1, 2013, 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. Maheshwari."

NOTES:

- a) The Company's shares are under the compulsory demat list. Shareholders are requested to utilise this facility to their advantage. Shareholders have been sent the ECS facility forms. Shareholders are requested to fill in the forms and take advantage of this facility.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 16, 2013 to Tuesday, April 23, 2013 (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, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the year ended December 31, 2006 will be transferred to the Investor Education and Protection Fund of the Central Government this year. Shareholders who have not encashed the dividend warrant(s) so far for the year ended December 31, 2006 or any subsequent years are requested to make their claim to the Office of the Registrar and Transfer Agents; TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. It may be noted that once the dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.
- g) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.
- h) Shareholders are requested to bring their copy of Annual report to the meeting.

By order of the Board of Directors

Pune, February 6, 2013

Sneha Padve
Company Secretary

Registered Office:
56 & 57, Hadapsar
Industrial Estate,
Pune 411 013.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item Nos. 3 & 4:

Name of Director	Mr. S.L. Rao	Mr. Gerard Willis
Date of Birth	22.01.1936	27.12.1953
Date of Appointment	24.1.2002	01.01.2006
Expertise in specific functional areas	Professional Manager and Applied Economist	Law
Qualifications	B.Com (Hons), M.A. in Economics	New York University School of Law, 1986 Honors. Brown University – B.A. International Affairs Honors. George Washington University School of Public and International Affairs, Washington D.C.; M.A. International Affairs.
List of public Companies in which outside Directorships held as on December 31, 2012	Kanoria Chemicals and Industries Limited Rain Commodities Limited, Rain CII Carbon Vizag Limited	–
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2012	Rain Commodities Limited Rain CII Carbon Vizag Limited Chairman - Audit Committee	–

Item No.6:

The resolution authorizing payment of commission to the Non-Executive Directors needs to be renewed every five years. This is therefore a renewal of the earlier resolution.

Item No. 7:

Mr. Anant Maheshwari was appointed as the Managing Director for a period of 3 years w.e.f. March 1, 2010. This term has been renewed for a further period of 3 years from March 1, 2013 to February 29, 2016 on the following terms and conditions:

- I) Mr. Anant Maheshwari shall, as the Managing Director, be Head of the Management Team and shall, subject to the supervision and control of the Board of Directors, be responsible for the overall conduct and functioning of the Company.
- II) **Remuneration:**
 1. Annual Gross Compensation (which includes basic pay, HRA, other allowances and commission etc.) in the scale of Rs.1,20,00,000/- (Rupees One crore, twenty lakhs only) to Rs. 2,50,00,000/- (Rupees Two crores, fifty lakhs only) per annum, 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.

2. Commission:

Such remuneration by way of commission (Incentive Compensation Plan), included in the Annual Gross Compensation 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 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. The Managing Director will also be eligible to long term incentives such as stock options, restricted units issued by Honeywell Inc., from time to time as per Honeywell policy.

3. Retirals:

Company's contribution to Provident Fund, to the extent it is 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.

4. Minimum remuneration:

Notwithstanding anything to the contrary herein contained wherein 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 and perquisites as specified above, subject to limits laid down in Schedule XIII of the Companies Act, 1956.

- 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 Director subject to the provisions of Sections 198, 309 and 310 and Schedule XIII of the Companies Act, 1956 or any other amendments made hereafter in this regard.
- IV) There are other usual provisions in the agreement relating to termination of contract, observing strict secrecy in respect of business matters, etc.

Mr. Anant Maheshwari is concerned and interested in the matter.

Dear Members,

The Directors present the **TWENTY-NINTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2012.

1. FINANCIAL RESULTS:

Particulars	Year ended December 31, 2012 (Rs. in lacs)	Year ended December 31, 2011 (Rs. in lacs)
Sales & Other Income	167192	162936
Operating Profit	13365	16137
Less: Interest	34	85
Depreciation	1399	1481
Profit for the year	11932	14571
Provision for tax	3610	4804
Deferred Tax Adjustment	(195)	(947)
PROFIT AFTER TAX	8517	10714
Profit brought forward from the previous year	47947	39331
Profit available for appropriations	56464	50045
APPROPRIATIONS		
General Reserve	852	1071
Proposed Dividend	884	884
Tax on proposed dividend	143	143
BALANCE CARRIED FORWARD	54585	47947

2. DIVIDEND:

Final dividend @Rs.10/- per share of Rs.10/- each was recommended by the Board in their meeting held on February 6, 2013.

3. OPERATIONS:

The Management Discussion & Analysis Report annexed herewith provides full details of operational performance and business analysis of these business units.

- **Honeywell Process Solutions (HPS)** – business serves core industrial sectors of Refining, Oil & Gas, Pulp & Paper, Metal and Cement etc.
- **Honeywell Building Solutions (HBS)** – business provides solutions and services for facilities such as Commercial & Industrial Buildings, IT & ITES industry, Hospitals, Hotels, Airports, Mass Rapid Transit (MRT) etc.
- **Environment and Combustion Control (ECC)** – Through multi channels and multiple brands, offers environmental and combustion products and solutions to commercial, hospitality and industrial segments.
- **Sensing & Control (S&C)** – Products business provides various sensors and switches to manufacturing and automobile industry. This business serves primarily OEMs in various manufacturing industries such as auto, medical instrumentation, IT, etc.
- **Exports Business Group (EBG)** – Addresses manufacturing and engineering services needs of Honeywell along with some other non Honeywell customers across the globe, leveraging the cost, skills and knowledge arbitrage.

4. COMMUNITY DEVELOPMENT WORK:

HAIL is committed to its CSR activities and strongly believes that helping out even in a small way, can bring about a difference in the lives of many. Our commitment is on issues related to Health, Education & Environment.

Some of the initiatives under CSR were as follows:

Education:

- Text book Audio recording for blind school students.
- School kit with school bag donated to Samparc orphanage center & schools near Pune.
- Computer Skills Training for the Physically Handicapped at a school in Pune.
- Scholarship program for street children and students of Hermann Gmeiner social center for college education.
- Chemistry Olympic organized and it was conducted in the form of science test, quiz & talk show. Science kits were given to all participating schools.

Health:

- Medical Checkup Camps were held in an orphanage and in various schools. Workshops were held for anti addiction & anti anemia.
- Cancer Awareness program was held which covered information on Lifestyle and Cancer Prevention.

Environment:

- Various treks were organized. A Cycle rally was held to spread the message of Go green & to promote cycling for a healthy life style.

5. DIRECTORS:

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. S.L. Rao and Mr. Gerard Willis, retire by rotation and are eligible for reappointment.

6. MANAGEMENT DISCUSSION & ANALYSIS/CORPORATE GOVERNANCE REPORT:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report and Corporate Governance report are annexed and form part of the Directors Report.

7. CODE OF CONDUCT COMPLIANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, the declaration signed by the Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the Financial Year 2012 is annexed and forms part of the Corporate Governance Report.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that -

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b) They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements 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 that period;
- c) They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, 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.

9. AUDITORS:

M/s. Price Waterhouse & Co., Bangalore 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 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 pertaining to absorption of technology, foreign exchange earnings, is given as an Annexure to this Report and forms part of it. As per provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and Accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

11. ACKNOWLEDGMENT:

The Board would like to place on record its appreciation and thanks to all its employees for their contribution. The Board also wishes to acknowledge the support it has received from its investors, customers, vendors, regulatory authorities and bankers.

For and on behalf of the Board
M.N. Bhagwat
Chairman

Pune, February 6, 2013

Registered Office:
56 & 57, Hadapsar
Industrial Estate,
Pune 411 013.

Annexure to Directors' Report

A) CONSERVATION OF ENERGY:

Your Company continues to make every effort to conserve energy required for all its operations. Some of the key initiatives undertaken in 2012 for the same are as under:

- Implemented electrical load monitoring supervision with help of existing staff.
- Reduced number of hours of operation of AC and lighting loads.
- Although there was an increase in the seating area in 2012 by around 11000 Sqft., there was no increase in the electrical power consumption due to the initiatives taken as above.
- Brought control on holiday working to avoid running of electrical equipments on holidays for partial load.

B) TECHNOLOGY ABSORPTION:

HAIL is an affiliate Company of Honeywell International Inc., and on merits it continues to have access to some of the latest products and technology of the parent Company. We continue to roll out new products and technology in the Indian markets as and when they are rolled out in our part of the world.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. in Lacs)
(i) Foreign Exchange Earned	696,18
(ii) Foreign Exchange Used	685,13

PERFORMANCE OF KEY FINANCIAL INDICATORS AND HIGHLIGHTS OF 2012

- External Orders up by 6% over 2011
- Sales up by 3% over 2011
- Net Income at Rs. 8517 lakhs, lower by 20.5% over 2011
- Cash flow from operations was negative Rs. 1732 lakhs

INDUSTRY OUTLOOK AND OPPORTUNITIES

Your Company's operating results are significantly influenced by macro-economic trends such as Industrial Production, Capital Spending on Process and Building Automation, Commercial and Infrastructure Construction, Commodity prices and Foreign Exchange variations.

During the year under review, Indian economy grew at a rate significantly lower compared to that in the prior year. This impacted capital expenditure cycle and high inflation kept interest rates higher which slowed down investments. More specifically, the industrial and infrastructure sectors served by your Company saw significant slow-down during the year, which impacted both, new order inflow and also revenue recognition due to slow progress on existing backlog of long-cycle projects won in previous years. This was coupled with continued cost escalation on delayed projects. Economic and industry conditions regarding Environment, Security and Safety and Regulations for fire safety standards, security specifications for buildings etc., also have an impact on your Company's operation. Some of the important market conditions were:

- Government spending is critical for development of core infrastructure like Roads, Ports, Airports, Mass Transportation Systems etc. Such spending supports volume growth of Buildings Solutions and ECC business groups of your Company. Such spending is slowed down as several large projects are behind schedule.
- For Process Solutions Business, delayed incremental investments in Refining, Power Generation, Transmission and Distribution, Oil Exploration projects coupled with delayed decisions in Oil Marketing and Distribution investments and private investments in Chemicals, Mining, Paper and other Small and Medium Enterprises (SME) Process Industries.
- For S&C business, the general slowdown in industrial and infrastructure construction sectors, meant significant shrinkage of available opportunities.
- During the year under review, there have been significant economic and competitive pressures caused due to slow down in developed markets. Overall geographic mix of global business is also shifting from North America and Western Europe earlier, to other countries in Asia, Middle-east, South America and Eastern Europe - these changes significantly reduce the cost benefit of sourcing services from India by Honeywell entities. Competitive pressures especially from developing nations in Eastern Europe and Central Asia are ever increasing with comparable options available to customers closer to their geographies. In order to sustain competitiveness as well to respond to prevailing economic conditions, billings rates for export services were rationalized with effect from January 1, 2012. A communication to this effect was released in Q4, 2011. Such changes in billing rates has helped in maintaining business volumes originating from Honeywell companies around the world.

Honeywell Process Solutions (HPS):

HPS Solutions offerings include Distributed Control Systems, Field Instruments, Programmable Logic Controllers, Emergency Shutdown Systems (ESD), Quality Controls Systems (QCS), Process and Business Performance Improvement Solutions and various value added services. Overall, 2012 has been a stable year for HPS having won several prestigious projects as well as continued its strong position in key vertical of Oil and Natural Gas. Some of the key wins were with BPCL, HPCL, IOCL, NTPC and Reliance Industries.

2013 is likely to be a challenging year for HPS due to prevailing economic and political environment which may cause delay in policy legislation, lower growth of Industrial production and continued competitive pressures in the market. Opportunities in the green field refining sector are declining and your Company shall rely heavily on the limited investments in Petrochemicals / Fertilizers and upgrade / expansion of Oil Terminals / Storage projects in India. Your Company has a strong position in each of these areas and with a suite of solutions and products that cater to these

sectors, we expect that from among available opportunities we will win a fair share of the demand. Given the vast diversity of Products and Solutions portfolio and market reach, your Company will strive to sustain its performance in 2013.

Honeywell Building Solutions (HBS):

HBS provides building solutions that are operationally intelligent and energy efficient. As part of its intelligent buildings suite, HBS provides building management systems (HVAC, Lighting and Utilities monitoring and control), fire detection and alarm systems, access control systems, video surveillance systems, integrated security systems and integrated building management systems leveraging Honeywell's Enterprise Buildings Integrator™ i.e., EBI. As part of its operational efficiency promise, HBS provides After Market Services for all control systems as well as comprehensive Utilities Operations and Maintenance Services for all mechanical and electrical systems in a building. As part of its energy efficiency promise HBS provides energy management services, energy retrofits and energy performance contracts.

This business continued its consistent track record in Airports, IT, Datacenters and Office Space verticals and accelerated its presence in Telecom, Healthcare and Pharmaceutical verticals in 2012. Major wins / customers include Bharti Airtel, Cognizant Technology Solutions, Delhi International Airport, IOCL, Kolkata Airport, Leighton Welspun, Reliance Industries, Tata Consultancy Services.

With a proven track record, an ability to innovate, world class large project execution capability and solid systems and processes for execution and life cycle management, this business is poised for sustained growth in 2013.

Environment and Combustion Control (ECC):

With softening of investments in hospitality and commercial real estate sector, ECC business had a tough year to sustain revenue growth, which was marginal compared to last year. Channel volumes, expansion of distribution footprint to Tier 2 and Tier 3 cities, key project wins in the Building Management System (BMS) business were the highlights of the year. Some of the major wins were Vansthali Vidyapeeth, Wipro, and Samsung. Industrial Combustion Control business continued to see positive trends with revival of industrial demand in the last year. Solar water heaters launched in early in 2009 continued to report strong sales albeit on lower base. Government policies for encouraging renewable energy solutions are helping in leveraging large commercial opportunities in this space.

In 2012, this business also identified synergistic opportunities for a shared management and go-to-market approach with another Honeywell India entity: Honeywell Electronic Devices and Solutions (HEDS). Both these businesses target similar end markets in the commercial and residential construction, and therefore can benefit by sharing their channels and support infrastructure. This strategy and the mechanisms to plan and audit this arrangement has been approved by the board. We believe this should provide your company an opportunity to expand its reach to Tier 3 and 4 cities. Your Company is in process of negotiating a joint marketing agreement.

Consolidation of Commercial Construction and Real Estate segment, along with urbanization of Tier 2 and 3 cities, would drive growth of the diversified product portfolio for the business in 2013 and beyond. We remain cautious on the overall liquidity situation and interest rates scenario for 2013 which may affect credit availability in Commercial construction segment, which directly affects the volume of the ECC business.

Sensing and Control (S&C):

With core industrial sectors slowing down especially automotive, construction equipment and off highway equipment, S&C revenue growth rates were lower compared to historical years. But on the back of strong product offering, technology and superior services, S&C managed to clock double digit growth for the year across all lines of business viz. Electromechanical, Electro Sensing and Test and Measurement. During the year under review, S&C has managed to secure large program orders from key customers, which are expected to support revenue growth in 2013 and beyond.

Your Company will continue to remain focused on verticals such as Industrial, Transportation, Military/Aerospace and Medical. Another important initiative is to expand our distribution network especially for greater coverage of industrial customers. During the year there have been significant new business opportunities (NBOs), which resulted in major wins with customers like PHA India, Caterpillar India, Voltas and Hindustan Aeronautics. These NBOs are expected to support growth in coming years.