

Eighteenth

Annual

Report

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2001 - 2002



VISION

To be a globally admired enterprise of knowledge workers which passionately combines innovation and technology to create automation solutions that continuously add value and prosperity to all stakeholders.

MIS

We draw inspiration from and take pride in enhancing productivity, comfort and safety of everyone through continuous learning and investments in technology.

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Integrity
Customer Focus
Innovation
Teamwork
Agility

Board of Directors (As on 17/07/2002)

Mr. R. Gopalakrishnan	(Chairman)
Mr. G. Soghomonian	(Vice Chairman)
Mr. V. K. Deshpande	(Managing Director)
Mr. J. K. Setna	
Mr. K. A. Chaukar	
Mr. T. Sutter	
Mr. S.L. Rao	
Mr. C. Guzder	
Mr. R. Savoor	
Mr. A. Pratap	(Alternate to Mr. T. Sutter)
Ms. Sneha Padve	(Company Secretary)

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Senior Management Team (As on 17/07/2002)

Mr. K. Amuthan	Head	- Human Resources & Administration
Mr. A. Bhargava	Head	- Corporate Strategy, Bus. Devt. & Corporate Quality
Mr. H. Chitale	Head	- Industrial Solutions - Manufacturing
Mr. G. Gangoly	Vice President	- Industrial Solutions - Operations
Mr. D. I. Gupta	Vice President	- Materials
Mr. V. Kapur	Head	- Global Services
Mr. G. M. Khanna	Vice President	- Cost Management
Mr. K. K. Khushoo	Vice President	- Factory
Mr. D. Shivaprasad	Head	- Infrastructure Solutions
Mr. D. N. Sowani	Controller	- Finance & Secretarial
Mr. S. Vij	Head	- Building Control

Registered Office

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

Solicitors

Mulla & Mulla and Craigie
Blunt & Caroe

Auditors

N. M. Raiji & Co.
Chartered Accountants

Bankers

ABN-Amro Bank N.V.
Canara Bank
Bank of Baroda
State Bank of Travancore
HDFC Bank Ltd.
ICICI Bank Ltd.

Registrar & Transfer Agent :

Tata Share Registry Ltd. (TSRL)
Army & Navy Bldg., 148, Mahatma Gandhi Road, Fort, Mumbai-400 001.

Registry Offices

Bangalore	:	503, Barton Center, 84, M.G. Road, 5th Floor, Bangalore - 560 001
New Delhi	:	2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi - 110 002
Jamshedpur	:	Bungalow No.1, 'E' Road, Northern Town, Bistupur, Jamshedpur - 831 001
Kolkata	:	C/o Tata Finance Ltd., Apeejay House, Block-A, 7th Floor, 15-Park Street, Kolkata - 700 016.

Notice

NOTICE is hereby given that the **EIGHTEENTH ANNUAL GENERAL MEETING** of TATA HONEYWELL LIMITED will be held at **11.30 a.m. on Wednesday, September 25, 2002** in the Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai 400 001 to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended March 31, 2002 and the Balance Sheet as at that date.
2. To confirm the declaration and payment of interim dividend on equity shares.
3. To appoint Mr. M.N. Bhagwat as a Director of the Company liable to retire by rotation in place of Mr. J.K. Setna who retires by rotation and has intimated his intention not to stand for re-appointment and to fill which vacancy a notice as required by Section 257 of the Companies Act, 1956, has been received by the Company proposing Mr. M.N. Bhagwat as a candidate for the office of director.
4. To appoint a Director in place of Mr. T. Sutter who was appointed a Director of the Company by the Board of Directors effective November 9, 2001 in the casual vacancy caused by the resignation of Mr. S. Williamson, 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 re-appointment 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. S.L. Rao, who was appointed an Additional Director of the Company by the Board of Directors with effect from January 24, 2002, 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 re-appointment 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 a Director in place of Mr. R. Savoor, who was appointed an Additional Director of the Company by the Board of Directors with effect from March 28, 2002, 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 re-appointment 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. C. Guzder, who was appointed an Additional Director of the Company by the Board of Directors with effect from March 28, 2002, 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 re-appointment 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.

NOTES :

- a) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item nos.3 to 7 set out above and the relevant details in respect of Item nos. 3 to 7 above, pursuant to Clause 49 of the Listing Agreements are annexed hereto.
- b) 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, September 17, 2002 to Tuesday, September 24, 2002 (both days inclusive).
- d) 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.
- 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 reply at the general meeting.
- 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) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 1995 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 financial year ended 31st March 1995 or any subsequent financial years are requested to make their claim to the Office of the Registrar and Transfer Agents; TATA SHARE REGISTRY LTD., Unit THL, Army & Navy Building, 148 M.G. Road, Mumbai 400 001.
- 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) Shareholders will have to collect the Auditorium Entry Pass from the reception and hand over the same at the entrance of the Auditorium.
- j) Shareholders are requested to bring their copy of Annual Report to the meeting.

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By order of the Board of Directors

Sneha Padve
Company Secretary

Mumbai, July 17, 2002

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

Explanatory Statement

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

Item No. 3 :

Mr. J.K. Setna, a Director of the Company, who is due to retire by rotation at this meeting, has informed the Company that he does not propose to seek re-election. A notice has been received from some members as required by Section 257 of the Companies Act, 1956 proposing Mr. M.N. Bhagwat as a Director of the Company in place of Mr. J.K. Setna. As required by Section 264 of the Act, Mr. M.N. Bhagwat has signed and filed with the Company his consent in writing to act as a Director, if appointed.

Mr. M.N. Bhagwat is a B.E. (Mechanical & Electrical) and has done his M.S. (Mechanical) from the University of Illinois, U.S.A. He has significant experience in manufacturing and automation including service of ten years as Managing Director of Tata Honeywell till 1997. The Directors commend the Resolution for acceptance by the Members.

Item No. 4 :

Mr. T. Sutter was appointed as a Director of the Company in the casual vacancy caused by the resignation of Mr. S. Williamson. Pursuant to Section 262 of the Companies Act, 1956, Mr. Terry Sutter holds office only till the date upto which Mr. S. Williamson, 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. T. Sutter as a Director of the Company.

Mr. T. Sutter is President of the Industry Solutions business for Honeywell's Automation and Control Solutions group.

Mr. T. Sutter has a Bachelor of Science degree in Chemical Engineering from the University of Missouri, a Master's Degree in Chemical Engineering from Texas A&M University and an MBA from the University of Chicago.

The Directors commend the Resolution for acceptance by the Members.

None of the Directors of the Company are interested in this Resolution except Mr. T. Sutter.

Item Nos. 5, 6 & 7 :

The Company is a joint venture between Tata Industries and its Associate Companies and Honeywell Inc. U.S.A. The Tatas and Honeywell have equally nominated the directors on the Board. With the inclusion of Clause 49 in the Listing Agreement, the number of nominated directors from both sides has been reduced to three and the Board of Directors has appointed three new Independent Directors.

Mr. S.L. Rao, has been appointed as an Additional Director with effect from January 24, 2002; Mr. R. Savoor and Mr. C. Guzder have been appointed as Additional Directors with effect from March 28, 2002. In terms of Section 260 of the Companies Act, 1956 and Article 145 of the Articles of Association of the Company, they hold office only upto the date of the forthcoming Annual General Meeting, but are eligible for reappointment. The Company has received notices in writing from members as required by Section 257 of the Act, proposing the appointment of Mr. S.L. Rao, Mr. R. Savoor and Mr. C. Guzder as Directors.

Mr. S.L. Rao is a renowned person in the field of management studies. He is a B.Com (Hons) from Bombay University and M.A. (Economics), Delhi School of Economics. He has authored various articles in newspapers and journals and presented papers at national and international conferences. He has held many top management positions in marketing, exports and general management in Indian companies. He has been Executive Chairman, National Management Programme, Director-General, National Council of Applied Economic Research and Chairman, Central Electricity Regulatory Commission.

Mr. R. Savoor graduated from Ruia College with a B.Sc. in Chemistry and then did a 3-year course in Chemical Technology from UDCT (University Department of Chemical Technology) at Mumbai. Mr. R. Savoor has retired from Castrol India Ltd. after a long career with them for the past 34 years, 12 of these, as Chief Executive and Managing Director. Under his leadership Castrol India has grown from being a minor oil company to becoming the Number 2 lubricant company in India and the second largest Castrol Company worldwide.

Mr. C. Guzder has done his Masters Degree (Honours), from Trinity College, Cambridge University, U.K. in Economics & Oriental Studies. He is currently the Chairman & Managing Director - AFL Private Ltd. (formerly Airfreight Ltd.) whose principal business activities are air express services, logistics management, air and ocean freight forwarding and travel-related services. Mr. C. Guzder has been actively associated with professional organisations both in India and abroad and is involved in numerous environmental activities with many NGOs, Trust and Institutes.

The Board considers it desirable that the Company should continue to avail itself of the services of Mr. S.L. Rao, Mr. R. Savoor and Mr. C. Guzder and accordingly, commends the Resolutions at Item nos. 5 to 7 for acceptance by the Members.

Mr. S.L. Rao, Mr. R. Savoor and Mr. C. Guzder may be deemed to be concerned or interested in Resolution nos. 5, 6 & 7, respectively.

By order of the Board of Directors

Sneha Padve
Company Secretary

Mumbai, July 17, 2002

Registered Office :

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

Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (As on 17/07/2002)
(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. M. N. Bhagwat	Mr. T. Sutter	Mr. S.L. Rao
Date of Birth	04.06.1932	29.10.1957	22.01.1936
Date of Appointment	25.09.2002	09.11.2001	24.01.2002
Expertise in specific functional areas	Engineering	Engineering	Professional Manager and applied Economist
Qualifications	B.E. (Mechanical & Electrical), University of Pune. M.S. Mechanical Engineering, University of Illinois, USA, DBM, Bajaj Institute, Mumbai. Registered Professional Engineer, State of Illinois, USA, Member – ISA, ASME and ASHRAE.	B. Sc. in chemical engineering from the University of Missouri, a master's degree in chemical engineering from Texas A&M University and an MBA from the University of Chicago.	B.Com (Hons), M.A. in Economics.
List of public Companies in which outside Directorships held as on March 31, 2002	- Nelco Ltd. - Walchand Capital Limited - TAL Manufacturing Solutions Ltd.	- Honeywell Measurex Ireland Finance - Honeywell Measurex (Ireland) Ltd. - Honeywell POMS Corporation - Honeywell Measurex Asia, Inc.	- HEG Ltd. - Rane Engine Valves Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on March 31, 2002	- Nelco Ltd. Audit Committee - Chairman - Remuneration Committee - Member - Walchand Capital Ltd. Audit Committee - Chairman - TAL Manufacturing Soln. Ltd. Audit Committee - Chairman - Remuneration Committee - Member	—	Rane Engine Valves Ltd., Audit Committee - Member

Name of Director	Mr. R. Savor	Mr. C. Guzder
Date of Birth	24.04.1944	17.09.1945
Date of Appointment	28.03.2002	28.03.2002
Expertise in specific functional areas	Management & Administration (Petrochemicals)	Management & Administration (Transport related services, international forwarding & express services)
Qualifications	B.Sc. in Chemistry Chemical Technology course from University Department of Chemical Technology	Masters Degree (Honours), from Trinity College, Cambridge University, U.K. in Economics & Oriental Studies.
List of public Companies in which outside Directorships held as on March 31, 2002	- Castrol India Ltd. - EID Parry (India) Ltd. - Hill Properties Ltd.	- N.S. Guzder & Co. Ltd. - Tata Infomedia Ltd. - BP India Ltd. - Alfa Laval India Ltd. - Mahindra Holidays & Resorts Ltd. - AFL-Coughlin Logistics Ltd. - AFL Worldwide Ltd. - AFL Shipping Services Ltd. - Zeenia Realtors Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on March 31, 2002	Castrol India Ltd. Investor Grievance Committee - Member	- Tata Infomedia Ltd. Audit Committee – Member - Investor Grievance Committee – Chairman - Alfa Laval India Ltd. Audit Committee – Chairman - Investor Grievance Committee – Member - Mahindra Holidays & Resorts Ltd. Audit Committee – Chairman

Directors' Report**TATA Honeywell**
Annual Report 2001 - 2002

TO THE MEMBERS OF TATA HONEYWELL LIMITED

The Directors present the EIGHTEENTH ANNUAL REPORT with the audited statements of accounts of the Company for the year ended March 31, 2002.

1. FINANCIAL RESULTS :

Particulars	Year ended March 31, 2002 (Rs. in lacs)	Year ended March 31, 2001 (Rs. in lacs)
Sales & Other Income	23610.22	27589.07
Operating Profit	2985.74	3366.64
Less : Interest	546.10	618.52
Depreciation	634.95	513.87
Amortisation of	46.90	27.33
Miscellaneous Expenditure		
Profit for the year	1757.79	2206.92
(Add)/Less: Prior period adjustments	32.64	(163.56)
Provision for taxation	56.00	430.00
Deferred Tax Adjustment	(15.66)	—
PROFIT AFTER TAX	1684.81	1940.48
Profit brought forward from the previous year	1258.92	903.05
Profit available for appropriations	2943.73	2843.53
APPROPRIATIONS		
General Reserve	1000.00	1000.00
Proposed Dividend	530.50	530.50
Tax on proposed dividend	—	54.11
BALANCE CARRIED FORWARD	1413.23	1258.92

2. DIVIDEND :

Interim dividend @Rs.6 per share of Rs.10/- each was declared by the Board in their meeting held on June 14, 2002. No final dividend has been recommended by the Board.

3. OPERATIONS :

The overall operations of your Company during the year remained under pressure due to slowdown in industrial markets. To achieve sustainable growth in such difficult economic situations the Company looked at other growing markets, as a result of

which, we, at the end of the year have a better business mix and capability. We observe encouraging trends in services, exports and homes and buildings markets. Our success with many important customers will act as a solid foundation for growing business prospects in the long-term.

The year 2001-02 saw a severe downturn in investments in new projects in the manufacturing industry. As a result, there was a drop in new orders booked by the Company for Automation Projects.

In 2001-2002, despite the slowdown the Company retained its market leadership in industrial automation. The year saw a significant change in the business mix with service and software solutions component growing in the total IAC business. To complement the solution portfolio, during the year, Hi-Spec division signed Alliances / Reseller agreements for providing various software solutions to the manufacturing industry. The Company managed to make successful forays into new solutions for manufacturing industry. Some of the significant break-through orders have been in Hi-Spec solutions for the Pulp and Paper industry; Automation enabled cost reduction programs in chemical/life sciences companies.

In Customer Services, our continued focus on migration from existing software as well as 'upgrade kits' for evergreen controllers and platforms helped us bag significant contracts. To protect investments made in control systems, we have taken up control room environment management services where we achieved breakthrough orders from Indian Oil and Tata Steel.

The Site Support Specialist program has ensured 100% uptime of our control systems at various customer locations. We have received much appreciation for our service support infrastructure and response in several Industry Meets such as Technical Development Committee, Center for High Technology etc.

The Building Controls Business Unit is positioned with an ambitious growth. The Business Unit met its order forecasts and posted robust growth in order intake. All lines of businesses did well with successful projects from some leading hotels, hospitals and commercial facilities. The market response to our new initiatives to enhance customer contact and customised solutions has been encouraging.

Your Company launched new schemes to mass promote the home security business. The Business Unit offers a pre-packaged security solution fulfilling the specific needs of shops/residential apartments and small offices. During the year successful efforts have been made to set up efficient supply chains and strong dealer networks in select cities.

Taking ahead your company's mission of providing safety for everyone through continuous learning and investments in technology, the Security Solutions Business Unit came into existence last year. This Business unit caters to the specialised security needs of Defence, Industrial Security, Transportation, and Commercial sectors, using state of the art technology from Honeywell & associates. Security Solutions Business unit offers one-stop solutions for integrated security solutions. The solution set includes surveillance, movement monitoring and control, command and control centres, special systems for operations etc. Your company's security systems harness the potential of information technology in order to improve warning and analytic capabilities, prevent losses, save money, and achieve the highest level of physical and operational security.

During the year 2001-02, Measurement & Control Products Business has increased its market share in Sensing & Control and Control Products. During the year M&C Products division received significant orders in various segments from ECIL, Hyderabad and BEL Bangalore, from NTPC – Korba; TAJ Group of Hotels Mumbai and Goa - ITC Kolkata and Mumbai and Oberoi, Delhi. New growth opportunities were identified during the year in market segments viz., Commercial and Infotech that has resulted in growth in order booking by 18% over the previous year. During the year M&C Products division focused on integrating all the operations from Order entry till invoicing through Oracle E-Biz suite of Products. This will bring in operation efficiency in various business processes and will help reduce lead-time to the market thereby improving customer satisfaction.

During the year 2001-02 Exports revenue showed a healthy growth. This Business Unit serves multiple business units in Honeywell and is an integral part of Honeywell Projects engineering organizations worldwide. It added two more Honeywell Business Units to its customer list in 2001-02 and achieved robust revenue as well as orders. Exports division is gaining valuable global experience by engaging in worldwide projects and this experience would be deployed by THL for its domestic businesses. The value proposition of the division was further strengthened in the year by focusing on employee skills enhancement and making delivery processes more robust and as per global standards.

This being the first year of operation of SAARC business, many actions required to establish strong foundations for good business have been completed. The dealer network has been established and the regional structure is being completed. Customer surveys, market data analysis have been concluded and detailed budgets for various business opportunities have been prepared. We experience a good flow of enquiries for various products and services of your Company.

Directors' Report (contd.)

Your Company has invested in implementation of Oracle 'ERP' System for digitisation and integration of all transactions and business processes. Such ERP systems have many advantages to control working capital, productivity etc. Phase 1 of this project covering Pune operations has been successfully completed and in Phase 2 the regions, important customers and channel partners will be covered by the system.

4. BUSINESS OUTLOOK :

The lack of demand for capital goods and infrastructure projects in the economy has led to low order book position resulting in low order backlog. Though the economy in the current year is looking up, demand for control and automation products will be experienced only in the 3rd quarter or 4th quarter. Industrial business scenario, therefore, will remain under pressure almost throughout the year. Since the project activity will be very competitive and not yielding any returns, your Company will continue to focus on software and services opportunities in these segments.

Based on the many successes of business initiatives undertaken in the last year, the buildings control division is poised to provide major revenue growth this year. The order backlog position is good. This division expects good business due to new investments in commercial buildings and infrastructure projects.

The outlook for the home security & security solutions business looks promising. A large number of residential and commercial establishments are becoming aware of the need for security. This market is therefore expected to grow steadily.

With increasing emphasis on automation and information technology to augment country's security infrastructure, large opportunities are expected to emerge for your company to deliver specialised security solutions in Defence, Internal Security, Transportation, and Commercial sectors. Security Solutions will focus this year on consolidating its market presence, introduction of new solutions and developing new skills.

During the year Measurement & Control Products business has increased its offerings to the customer. In addition to these M&C Products, the business is increasing its sales force as well as Channels in the market so as to have better market penetration. The main Growth market segments will be Infotech, Commercial & Telecom.

The outlook for 2002-03 for the Exports division looks promising. As India gets viewed increasingly as the intellectual capital of the world, this business has great opportunities to exploit in the global market place. With current order backlog Exports shall meet growth targets in its revenue for 2002-03. The business is also focused to add more competencies as its deliverables in 2002-03 to ensure future compounded growth of this business better than industry levels.

5. COMMUNITY DEVELOPMENT WORK :

THL-ASHA, the community welfare group of Tata Honeywell and acronym for Association for Serenity and Hope for All was formed with the most commendable set of objectives in mind. ASHA is committed to enhancing people's lives through networking and partnerships with the active involvement of all THL employees. It provides a platform and an opportunity to THL employees to touch lives of people within the company and outside and provide sustainable social change.

Since its inception last year ASHA has organised Blood Donation Camps for KEM Hospital, Health awareness Programmes, Parent enrichment programmes in association with Jnana Prabodhini Institute of Psychology, workshops on how to cope with stress, donation of clothes to the needy (ASHA has donated more than 500 garments directly to the end beneficiaries including children at Mobile Crèches near leading construction sites) etc. Various ASHA volunteers help lost children to re-unite with their parents around the country.

6. DIRECTORS :

During the year under review and upto the date of this report, Mr. F. Yuen, Mr. S. Williamson and Mr. R. Makhija, nominees of Honeywell, resigned as Directors of the Company. Mr. F.C. Kohli has stepped down from the Board of Directors. The Board places on record its sincere appreciation for the services rendered by these Directors towards the success of this joint venture. Mr.G. Soghomonian and Mr. T. Sutter have been appointed as Directors nominated by Honeywell. Mr. S.L. Rao, Mr. R. Savoor and Mr. C. Guzder have been appointed on the Board as Independent Directors.

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. J.K. Setna retires as Director and has intimated the Company that he does not propose to seek re-election. The Board places on record its sincere appreciation