

annual report

Honeywell

Board of Directors (As on 23/02/2005)

Mr. J. O'Higgins	(Chairman)
Mr. K.C. Lim	(Vice Chairman)
Mr. H. M. Chitale	(Managing Director)
Mr. V. Kapur	(Executive Director)
Mr. M.N. Bhagwat	(Independent Director)
Mr. S.L. Rao	(Independent Director)
Mr. A. Gupta	(Alternate to Mr. J. O'Higgins)

Ms. Sneha Padve (Company Secretary)

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Senior Management Team (As on 23/02/2005)

Mr. K. Amuthan	Head - Human Resources and People Services
Mr. A. Bhargava	Head - Corporate Initiatives
Mr. S. Kapoor	Head - Corporate Audit
Mr. G. M. Khanna	Head - Operations
Mr. K. K. Khushoo	Head - Manufacturing
Mr. A. Maheshwari	Head - Security Group
Mr. A. Pai	Chief Financial Officer
Mr. S. V. Teje	Head - Control Products
Mr. A. G. Vaidya	Head - Six Sigma Plus & HSE
Ms. M. Vaidyanathan	Head - Corporate Communications
Mr. S. Vij	Head - Building Solutions

Registered Office

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013

Auditors

N. M. Rajji & 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. Tel.: 080-25320321/25580019
New Delhi	:	2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi - 110 002. Tel.: 011-23271805
Jamshedpur	:	Bungalow No.1, 'E' Road, Northern Town, Bistupur, Jamshedpur - 831 001. Tel.: 0657-2426616
Kolkata	:	Tata Centre, 1st Floor, 43 Jawaharlal Nehru Road, Kolkata - 700 071. Tel.: 033-22883087/22883062

Notice

NOTICE is hereby given that the **TWENTY-FIRST ANNUAL GENERAL MEETING** of **HONEYWELL AUTOMATION INDIA LIMITED** will be held at **3.30 p.m. on Tuesday, April 26, 2005 in Hotel Taj Blue Diamond, 11 Koregaon Park, Pune 411 001** to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the period ended December 31, 2004, the Balance Sheet as at that date.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. John O'Higgins who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.
5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
To appoint a Director in place of Mr. M.N. Bhagwat, who was appointed an Additional Director of the Company by the Board of Directors with effect from November 2, 2004, 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 consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
To appoint a Director in place of Mr. Harshavardhan Chitale, who was appointed an Additional Director of the Company by the Board of Directors with effect from November 19, 2004, under Section 260 of the Companies Act, 1956 and Article 145 of the Articles of Association of the Company and who holds office upto the date of the forthcoming Annual General Meeting but who is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to the provisions of Section 257 of the Act.
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 appointment and remuneration of Mr. Harshavardhan Chitale as Managing Director (Designate), with effect from November 19, 2004 upto 20th December 2004, 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. Chitale."
8. 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. Harshavardhan Chitale as Managing Director, with effect from December 21, 2004, 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. Chitale."
9. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
To appoint a Director in place of Mr. Vimal Kapur, who was appointed an Additional Director of the Company by the Board of Directors with effect from November 19, 2004, under Section 260 of the Companies Act, 1956 and Article 145 of the Articles of Association of the Company and who holds office upto the date of the forthcoming Annual General Meeting but who is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to the provisions of Section 257 of the Act.
10. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves of the appointment and remuneration of Mr. Vimal Kapur as Executive Director, with effect from November 19, 2004, 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. Kapur."

Notice (contd.)

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

"RESOLVED THAT pursuant to Clause 49 of the Listing Agreement entered into with the stock exchanges where the securities of the Company are listed and also subject to Section 310 and all other applicable provisions of the Companies Act, 1956, the Company be and hereby authorizes the payment of sitting fees of an amount to be determined by the Board from time to time upto Rs.20,000/- to Directors for attending Meetings of the Board, and of Committees of the Board, which are in existence as on date or which may be constituted in future.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary the amount of sitting fees payable to the Directors of the Company within the overall limits as to payment of sitting fees as may be fixed from time to time by the Central Government under the Companies Act, 1956 and notifications issued there under in this respect.

RESOLVED FURTHER THAT approval be and is hereby given for the payment of sitting fees to the Directors for attending the Board and Audit Committee Meetings held on April 25 and 26, 2005."

12. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956 and applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, and subject to such other approvals, permissions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed by the Board of Directors of the Company or any Committee thereof, consent of the members be and is hereby accorded to the Board to delist the Equity shares of the Company from Pune Stock Exchange Limited.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all necessary questions, difficulties or doubts that may arise in regard to the aforesaid voluntary delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any of its Committees or any of its Directors or any of the officers of the Company to do all such acts, deeds or things to give effect to the aforesaid resolution."

NOTES:

- a) The relevant details in respect of Item nos. 4 to 12 above, pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges 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.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 12, 2005 to Wednesday, April 20, 2005 (both days inclusive) for payment of dividend on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose. The Company will dispatch the dividend warrants from May 10, 2005 onwards.
- d) Members are requested to note that the Dividend Warrants are payable at par at the branches as printed overleaf of the Dividend Warrant with the initial validity period of 3 months. Thereafter, the Dividend Warrants can be revalidated only at Tata Share Registry Ltd.
- e) 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.
- f) 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.
- g) 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.
- h) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 1998 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 1998 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 HAIL, Army & Navy Building, 148 M.G. Road, Mumbai 400 001.

Notice (contd.)

- i) 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.
- j) Shareholders are requested to bring their copy of Annual report to the meeting.

By order of the Board of Directors

Pune, February 23, 2005

Registered Office:

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

Sneha Padve
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**Item No. 4:**

The Statutory Auditors M/s N.M. Rajji & Co., Chartered Accountants had expressed their inability to continue as the Auditors of the Company. There after M/s Price Waterhouse & Co., Chartered Accountants were approached by the company and they had expressed their willingness and had confirmed that the appointment, if made, would be within the limits specified in Section 224 (1B) of the Companies Act, 1956. Considering this you are requested to pass the necessary resolution for appointment of M/s Price Waterhouse & Co., Chartered Accountants as the Statutory Auditor.

The Directors commend the Resolution for acceptance by the Members.

Item No. 5:

Mr. M.N. Bhagwat has been appointed as an Additional Director with effect from November 2, 2004. In terms of Section 260 of the Companies Act, 1956 and Article 145 of the Articles of Association of the Company, he holds office only upto the date of the forthcoming Annual General Meeting, but 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. M.N. Bhagwat as a Director.

Mr. 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.

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

Item No. 6:

Mr. Harshavardhan Chitale was appointed by the Board of Directors with effect from November 19, 2004, as an Additional Director prior to being designated as 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. Chitale as a Director.

The Directors commend the Resolution for acceptance by the Members.

Mr. Harshavardhan Chitale is concerned and interested in the matter.

Item Nos. 7 & 8:

Mr. Harshavardhan Chitale was appointed as the Managing Director (Designate) of the Company for a period of 5 years with effect from November 19, 2004, subject to the approval of the shareholders. The Managing Director, Mr. Vinayak Deshpande resigned from the services of the Company w.e.f. December 20, 2004. Consequent to his resignation, the Board passed a resolution appointing Mr. Chitale as the Managing Director for a period of 5 years w.e.f. December 21, 2004, on the following terms and conditions:

- i) Mr. Harshavardhan Chitale 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.

Notice (contd.)**II) Remuneration:**

1. A basic salary scale of Rs.1,10,000/- to 3,00,000/- per month, with such increases as may be determined by the Remuneration Committee of Directors from time to time and approved by the Board of Directors of the Company. The annual increment will be merit based and take into account the Company's performance.

2. Commission:

Such remuneration by way of commission, in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year subject to the overall ceilings stipulated in Sections 198 and 309 of the Act. The 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 entitled to stock issued by Honeywell Inc., from time to time as per Honeywell policy.

3. Perquisites and Allowances:

- a) In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for himself and his family 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 limited to 75% of his annual salary.
- b) Provision for the use of the Company's Car as per Company rules.
- c) Company's contribution to Provident Fund and Superannuation or Annuity Fund and Gratuity and encashment of leave at the end of tenure payable as per the rules of the Company.
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.

- 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.

The Directors commend the Resolution for acceptance by the Members.

Mr. Harshavardhan Chitale is concerned and interested in the matter.

Item No.9:

Mr. Vimal Kapur was appointed by the Board of Directors with effect from November 19, 2004, as an Additional Director prior to being designated as the Executive 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. Kapur as a Director.

The Directors commend the Resolution for acceptance by the Members.

Mr. Vimal Kapur is concerned and interested in the matter.

Item No.10:

Mr. Vimal Kapur was appointed as the Executive Director of the Company for a period of 5 years with effect from November 19, 2004, subject to the approval of the shareholders, on the following terms and conditions:

Notice (contd.)

- I) Mr. Vimal Kapur, Executive Director shall carry out such duties as may be entrusted to him, subject to the supervision and control of the Board of Directors and shall also perform other duties and services as may be from time to time entrusted to him by the Board of Directors and/or the Managing Director.
- II) Remuneration:
1. A basic salary scale of Rs.1,10,000/- to 3,00,000/- per month, with such increases as may be determined by the Remuneration Committee of Directors from time to time and approved by the Board of Directors of the Company. The annual increment will be merit based and take into account the Company's performance.
 2. Commission:
Such remuneration by way of commission, in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year subject to the overall ceilings stipulated in Sections 198 and 309 of the Act. The specific amount payable to the Executive 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 Executive Director will also be entitled to stock issued by Honeywell Inc., from time to time as per Honeywell policy.
 3. Perquisites and Allowances:
 - a) In addition to the salary and commission payable, the Executive Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for himself and his family 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 Executive Director; such perquisites and allowances will be limited to 75% of his annual salary.
 - b) Provision for the use of the Company's Car as per Company rules.
 - c) Company's contribution to Provident Fund and Superannuation or Annuity Fund and Gratuity and encashment of leave at the end of tenure payable as per the rules of the Company.
 4. Minimum remuneration: Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the Executive Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary and perquisites as 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 the Executive 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.

The Directors commend the Resolution for acceptance by the Members.

Mr. Vimal Kapur is concerned and interested in the matter.

Item No.11:

The revised Clause 49 of the Listing Agreement on Corporate Governance requires all fees/ compensation, if any, paid to Non-Executive Directors, including Independent Directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting. The commission payable to the Non-Executive Directors has already been approved by the shareholders in the 17th Annual General Meeting. Therefore, the resolution has been put up to the Members to approve of the Sitting Fees paid to the Non-Executive Directors.

All the Non-Executive Directors are concerned or interested in the matter.

Notice (contd.)**Honeywell Automation India Ltd.****Annual Report 2004****Item No.12:**

The equity shares of the Company have been listed on the Pune Stock Exchange (PSE) since it went public. It has been observed that the shares of the Company are not traded on this Exchange at all. The shares are regularly traded on the National Stock Exchange (NSE) and Stock Exchange, Mumbai (BSE). With the nationwide and extensive trading terminals set up by NSE and BSE, investors have access to on-line dealings in the Company's equity shares on such terminals across the country. The Company has been spending considerable amount of money on listing fees, advertisement in newspapers in respect of various provisions of the Listing Agreement, facsimile communication etc. with PSE and no particular benefit is available to the shareholders of the Company by continuing the listing of the equity shares of the Company on PSE. In this backdrop, it is proposed to delist the equity shares of the Company from PSE. In accordance with the Delisting Guidelines, members' approval for the same in general meeting is required.

The Company's equity shares will continue to list on the NSE and BSE and therefore, in accordance with the Delisting Guidelines, an exit opportunity is not required to be given to the shareholders.

The Directors commend the Resolution for acceptance by the Members.

Details of Directors as per Clause No.49 of the Listing Agreement :

Name of Director	Mr. M.N. Bhagwat	Mr. John O'Higgins
Date of Birth	04.06.1932	03.02.1964
Date of Appointment	02.11.2004	20.01.2004
Expertise in specific functional areas	Engineering	Engineering
Qualifications	B.E. (Mechanical & Electrical), University of Pune. M.S. Mechanical Engineering, University of Illinois, USA, DBM, Bajaj Institute, Mumbai.	Bachelor and Master Degree in Mechanical Engineering. Master in Business Management
List of public Companies in which outside Directorships held as on December 31, 2004	Nelco Limited Walchand Capital Limited TAL Manufacturing Solutions Limited Kennametal Widia India Limited Technopolis Knowledge Park Ltd. Nelito Systems Ltd.	Nil
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2004	NELCO Audit Committee - Chairman Remuneration Committee - Member Walchand Capital Ltd. Audit Committee - Chairman TAL Manufacturing Soln. Ltd. Audit Committee - Chairman Remuneration Committee - Member	Nil

Name of Director	Mr. Harshavardhan Chitale	Mr. Vimal Kapur
Date of Birth	17.03.1972	10.11.1965
Date of Appointment	19.11.2004	19.11.2004
Expertise in specific functional areas	Engineering	Engineering
Qualifications	B.Tech (Electronics)	B.E. (Electronics & Instrumentation)
List of public Companies in which outside Directorships held as on December 31, 2004	Nil	Nil
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2004	Nil	Nil

Directors' Report

TO THE MEMBERS OF HONEYWELL AUTOMATION INDIA LIMITED

The Directors present the **TWENTY FIRST ANNUAL REPORT** with the audited statements of accounts of the Company for the 9 months ended December 31, 2004.

1. FINANCIAL RESULTS :

Particulars	9 months ended December 31, 2004 (Rs. in lacs)	Year ended March 31, 2004 (Rs. in lacs)
Sales & Other Income	29045.68	34755.67
Operating Profit	1570.32	3302.79
Less : Interest	181.10	373.97
Depreciation	681.58	832.31
Amortisation of	64.14	87.76
Miscellaneous Expenditure		
Profit for the year	643.50	2008.75
Provision for tax	343.05	—
Deferred Tax Adjustment	(548.76)	(516.74)
PROFIT AFTER TAX	849.21	2525.49
Profit brought forward from the previous year	1718.49	1490.95
Profit available for appropriations	2567.70	4016.44
APPROPRIATIONS		
General Reserve	100.00	1500.00
Proposed Dividend	442.08	707.32
Tax on proposed dividend	57.77	90.63
BALANCE CARRIED FORWARD	1967.85	1718.49

2. DIVIDEND :

Final dividend @Rs.5.00 per share of Rs.10/- each was recommended by the Board in their meeting held on February 23, 2005.

3. INTEGRATION WITH HONEYWELL :

Honeywell has been keenly watching growth of the Indian Economy and your Company over the last few years. They also see your Company having potential to support the other Honeywell affiliates in Asia, North America and Europe. Keeping in line with this thought processes of expanding the operations in India, Tata's and Honeywell had a discussion over a period of time on the ownership. On 9th July 2004, Tata's and Honeywell announced their decision to end the joint venture of your Company by Honeywell Asia Pacific Inc. acquiring the entire stake of the Tata group, amounting to 40.62% at a price of Rs. 350 per share. After obtaining all the statutory approvals, the transaction was completed on 2nd November 2004. Consequent to this, the company held an Extraordinary General Meeting on 9th December 2004, for seeking shareholder approval for the name change of the Company from Tata Honeywell Limited to Honeywell Automation India Limited.

After the share acquisition by Honeywell, a task force has been set up by your Company and Honeywell Asia Pacific Inc. to align Honeywell Automation India Limited with Honeywell Asia Pacific. As on 31st December 2004 the integration has moved quite satisfactorily with the business and the functions in advanced stage of realignment to Honeywell requirement.

The Directors have taken the decision to change the financial year to end on 31st December every year to be in line with Honeywell year ending.

4. OPERATIONS :

During the nine months last year, the Company performed well to post Order growth of 19% and Sales growth of 32% as compared to corresponding nine months last year. The business has moved to the desired mix thereby not only growing the top line but also improving the profitability.

The Integrated Supply Chain continues to focus on the reduction of Cost to Serve by localisation, Value Engineering and rationalisation of the Supplier. Manufacturing continues to drive the new product initiative suited to the Indian market. Last year manufacturing lines were set up for low end Paper Quality Control Systems and Close Circuit Television camera accessories.

The year 2004 saw an accelerated growth in the Indian manufacturing industry. The various segments, which showed substantial growth were: metal industry, oil and gas, power transmission and distribution, pharma, biotechnology and automotive industry. As a reflection of the industrial growth, the market for your Company's industrial solution business had a healthy growth. The major wins included contracts from North Delhi Power Ltd., and Reliance Energy for power distribution and control, Indian Oil Corporation for Panipat Refinery, Bharat Petroleum and Hindustan Petroleum for their Green Field Emission Control Projects.

The Building Solutions (BS) business continued to show a very healthy growth. Focus this year has been in the area of telecom biotech and IT. The major wins include contracts from Tata Teleservices, Reliance Biotech, Biocon, Microsoft and ST Micro Electronics etc. The first phase of the Delhi metro rail project for which automation was supplied by your Company was successfully commissioned by the Prime Minister. Phase II is progressing as per schedule.

After Market Services initiative started in BS last year has grown substantially with the Order growth of 79% and Revenue growth of 71%. In order to increase service penetration, the service division has launched new service product so as to increase the customer coverage.

The Performance Contracting line of business has been providing substantial energy reductions to the customer. The repeat businesses were from Manipal Hospital and GRP Groups. As a mark of recognition of our Performance Contracting business, a prestigious order was received from BEE (Bureau of Energy Efficiency, Government of India) for Rashtrapati Bhavan. The Performance Contracting group also added new customer segment in Pharma and Health care with orders from Ranbaxy, Jaslok Hospital etc.

The Security Solutions business continued to make significant progress in integrated as well as retail security segment. The Integrated Security Solutions received significant orders from ONGC Surat and Sahara, while retails security continues to focus on providing Fire and Security Solution to small & medium offices commercial complexes, shopping complexes, banks etc.

During the year 2004, Control Products (CP) has increased its market share in Sensing & Control, Environmental Combustion & Control (ECC) & Field Instruments & Analytical business. It received significant orders from various market segments. Some of the major wins included orders from Danahar for hall effect, for automotive sensors from Tata Motors & from NTPC Anta for Ambient Air quality monitoring system. CP order booking grown by 27 % over the last year for the same period and revenue has grown by 11 % over the last year. CP business launched the I-store program, which is web based order management system for channel partners. This is a part of Customer relationship management program undertaken by Honeywell Automation India Ltd for channel partners. This program has enabled the channel partners to place orders on line through Web & monitor the status of their orders "live". This will reduce the cycle time for the orders.

Global Services business unit grew its revenue by 30% in 2004. The engineering services work across Honeywell ACS grew significantly both in Process and Building solutions segments. A new undertaking set up for outsourcing of Automation and Control engineering solutions, New Product development initiative and Products and Technology services and solutions also contributed significantly to revenue growth in 2004. The business is facing challenge of profit margins due to fall in exchange rate and increasing manpower costs, however actions have been taken to counter this increase through internal productivity to sustain the margins.

5. INITIATIVES DURING 2004 :

The organization continues to focus on Leadership Development at various levels by regularly conducting training programs for junior, middle and senior management. All the eligible employees are required to go through the certification program as a part of technical skill enhancement drives. Around 50 managers of your Company were taken through LDP programs designed in association with Tata Management Training Centre and professors from IIM's.