



Honeywell

2007
Annual Report

From manufacturer to consumer,
pilot to passenger,
home builder to home owner, and
physician to patient,
Honeywell technologies improve
people's lives in their homes,
communities, work places and travels.

Honeywell Automation India Ltd.

Annual Report 2007

Board of Directors (As on 24/01/2008)

| | |
|-------------------|------------------------|
| Mr. J. D. Bolick | (Chairman) |
| Mr. H. M. Chitale | (Vice Chairman) |
| Mr. G. F. Willis | (Director) |
| Mr. V. M. Kapur | (Managing Director) |
| Mr. M. N. Bhagwat | (Independent Director) |
| Mr. S. L. Rao | (Independent Director) |
| Ms. Sneha Padve | (Company Secretary) |

Senior Management Team

| | |
|-----------------------|----------------------------------|
| Ananthnarayanan K. V. | Head Legal |
| Aparanji Harsh | Head Human Resources |
| Bagaikar Ravi | Head Business Process Excellence |
| Bhargava Ajay | Head Integrated Supply Chain |
| Kelkar Anant | Head Information Technology |
| Nemade Snehal | Controller & Head Audit |
| Pai Atul | Chief Financial Officer |

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Honeywell Process Solutions

Biswas Amitava
Joshi Hemant
Joy Abraham
Kumar Girish
Kumar Salil

Honeywell Building Solutions

Dharachar Girish
Godbole Milind
Shaha Ashish

Environment & Combustion Controls

Pradhan Ninad

Sensing & Controls

Pradhan Sachin

Engineering Services

Rajagopal KS
Tumkur Savyasachi

Registered Office

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013

Auditors

Price Waterhouse & Co.
Chartered Accountants

Bankers

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

Registrar & Transfer Agent :

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

| | |
|---------------|---|
| Notice | Honeywell Automation India Ltd. Annual Report 2007 |
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NOTICE is hereby given that the **TWENTY-FOURTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held at **2.30 p.m. on April 9, 2008** in Hotel Taj Blue Diamond, 11, Koregaon Road, Pune 411 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended December 31, 2007, the Balance Sheet as at that date.
2. To declare dividend on equity shares.
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. G. F. 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:**

To appoint a Director in place of Mr. Jack Bolick, who was appointed an Additional Director of the Company by the Board of Directors with effect from June 15, 2007, under Section 260 of the Companies Act, 1956 and Article 144 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 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 increase in remuneration of Mr. Vimal Kapur as Managing Director, with effect from April 1, 2008, 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."

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 increase in remuneration of Mr. Harshavardhan Chitale as Executive Director, with effect from April 1, 2008, 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."

NOTES:

- a) The relevant details in respect of Item nos. 3, 4, 6, 7 and 8 above, pursuant to Clause 49 of the Listing Agreement 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.

Notice (contd.)**Honeywell Automation India Ltd.**
Annual Report 2007

- c) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday March 27, 2008 to Thursday April 3, 2008 (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 April 17, 2008 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 TSR Darashaw 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, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- h) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 2001 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 2001 or any subsequent financial 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.
- i) 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.
- j) Shareholders are requested to bring their copy of Annual report to the meeting.

By order of the Board of Directors

New Delhi, January 24, 2008

Sneha Padve
Company Secretary**Registered Office:**
56 & 57, Hadapsar
Industrial Estate,
Pune 411 013.

Notice (contd.)**Honeywell Automation India Ltd.**
Annual Report 2007**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****Item Nos. 3 & 4 :**

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. The details as per Clause 49 of the Listing Agreement are given here below :

| | | |
|--|--|---|
| Name of Director | Mr. S.L. Rao | Mr. G. F. Willis |
| Date of Birth | 22.01.1936 | 27.12.1953 |
| Date of Appointment | 28.1.2002 | 01.01.2005 |
| Expertise in specific functional areas | Economics & Management | Law |
| Qualifications | B.Com (Hons), M.A. in Economics | New York University School of Law, 1986, Brown University – B.A. International Affairs. 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, 2007 | Reliance Energy Limited Reliance Natural Resources Ltd. Reliance Power Limited Kanoria Industries and Chemicals Limited | Usha Amorphous Metals Limited |
| Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2007 | Reliance Natural Resources Ltd.: Chairman – Audit Committee, Remuneration Committee & Investor Grievance Committee Kanoria Industries and Chemicals Limited : Chairman – Remuneration Committee Reliance Energy Ltd.: Member – Audit Committee & Remuneration Committee | — |

Memorandum of concern or interest :

Mr. S.L. Rao and Mr. G. F. Willis are interested in their aforesaid appointment as the Directors of the Company.

Item No. 6 :

Mr. Jack D. Bolick is President of the Process Solutions business for Honeywell's Automation and Control Solutions group.

Mr. Jack D. Bolick joined Honeywell in 1998 and has more than 20 years of diverse business experience with a focus on semiconductor and manufacturing materials supply, global marketing and manufacturing strategies that support high-growth markets.

Mr. Jack D. Bolick is Black Belt certified and holds a Master of Science degree in Industrial Engineering from North Carolina A&T State University. He also earned a bachelor's science degree in industrial engineering technology from Western Carolina University in North Carolina. Jack is based in Phoenix, Arizona.

Memorandum of concern or interest :

Mr. Jack D. Bolick is interested in his aforesaid appointment as the Director of the Company.

Notice (contd.)**Honeywell Automation India Ltd.**
Annual Report 2007**Item No. 7:**

Mr. Vimal Kapur has been appointed as Managing Director of the Company w.e.f. November 1, 2006 for a period of 5 years and the shareholders in the AGM held on April 13, 2007 approved the resolution. However, the Board has recommended changes in the remuneration and the same need to be approved by the shareholders.

I) Mr. Vimal Kapur 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) **Period :** Five years w.e.f. November 1, 2006 with liberty to either party to terminate the appointment by three months notice in writing to the other.

III) Remuneration :

1. A base salary scale of Rs.2,50,000/- to 5,00,000/- 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.

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 300% of his annual salary.
- b) For the purpose of calculating the above ceiling, perquisites 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 duty 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, 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 or perquisites mentioned above.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being, be in force.

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.

Memorandum of concern or interest :

Mr. Vimal Kapur is interested in the aforesaid resolution as the Managing Director of the Company.

Notice (contd.)**Honeywell Automation India Ltd.
Annual Report 2007****Item No. 8 :**

Mr. Harshavardhan Chitale has been appointed as Executive Director and is designated as the Vice-Chairman of the Board and the shareholders in the AGM held on April 13, 2007 approved the resolution. However, the Board has recommended changes in the remuneration and the same need to be approved by the shareholders.

I) Period : Three years w.e.f. November 1, 2006 with liberty to either party to terminate the appointment by three months notice in writing to the other.

II) Remuneration :

1. A base salary scale of Rs.3,00,000/- to 7,00,000/- per month, with authority to the Board to fix his salary within this scale from time to time.

2. Perquisites and Allowances :

- a) In addition to the salary 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, car allowance 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 600% of his annual salary.
- b) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together, 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 or perquisites mentioned above.

The above payments made to the Executive Director comprising of salary, perquisites and allowances shall be reimbursed to the Company by Honeywell Inc., USA for the entire period during which Mr. Chitale is on deputation for his global assignment.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being, be in force.

3. **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.

Memorandum of concern or interest :

Mr. Harshavardhan Chitale is interested in the aforesaid resolution as the Executive Director of the Company.

Directors' Report (contd.)**Honeywell Automation India Ltd.
Annual Report 2007****3.5 Global Engineering Services Business (GES) :**

This business saw good growth of engineering work in 2007. The business saw some challenging environment due to Rupee appreciation in 2007, which has impacted its profitability. We are driving all actions to sustain both profitability and growth of this business in 2008. These actions include seeking better rates from our customers, improving our productivity and introducing higher end services. This business is also implementing Honeywell Operating System (HOS). HOS would elevate the level of productivity and quality of these operations and make it more competitive moving forward.

Your Company has started major operations towards product hardware export. Two Honeywell lines of products have already been approved for manufacture for global demand in 2008 and we expect this operation to expand in the coming years.

4. COMMUNITY DEVELOPMENT WORK :

HAIL has started a Child Sponsorship Program in close co-ordination with Sadhana Village an NGO. We have sponsored 40 children from Kolwan Valley Mulshi Taluka. This sponsorship monitors the child health and education. The funding has been made possible by the contribution from employees. This is used for various CSR activities that HAIL intends to undertake in the current year.

HAIL conducted Safety & Security Sessions for Schools in Pune - Dastur School, Rewachand Bhojwani, Abhinav Vidyalay, MMES Rathi School, Hutchings school were amongst the first batch of schools where HAIL organized demos and lectures (conducted by Usha Fire). These interactive sessions were to help the children understand the do's and don't's of Fire safety and actions to be taken in case of an emergency. "Road safety" and "security at homes", were the other topics also highlighted. This was an awareness programme and was well attended by all the school children. Keeping our children safe and alert were the key reasons for conducting these sessions.

The Company continues its activities with community development work under the employee engagement program called DISHA. Volunteers also visit 'The School for the Handicapped Children at Wanowrie. Computer classes are organized for these children, besides lessons in English speaking, Mathematics and Science.

5. DIRECTORS :

During the year under review, Mr. John Ellis, nominee of Honeywell, resigned as Director of the Company. The Board places on record its sincere appreciation for the services rendered by him towards the success of this Company. Mr. Jack Bolick has been appointed as Director nominated by Honeywell and has been designated as the Chairman of the Company.

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. Mr. Jack Bolick retires at the forthcoming AGM as Additional Director and a notice in writing has been received for appointing him as a Director.

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 2007 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.

Directors' Report (contd.)**Honeywell Automation India Ltd.**
Annual Report 2007**9. AUDITORS :**

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

10. CEO/CFO CERTIFICATION :

The Managing Director and the Chief Financial Officer have certified that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
- (e) We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
- (f) We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

11. 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.

12. ACKNOWLEDGEMENT :

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 Bankers and from the Financial Institutions.

For and on behalf of the Board
JACK D. BOLICK
Chairman

New Delhi, January 24, 2008

Registered Office :

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