

# Honeywell Automation India Ltd.

## Annual Report 2009

### Board of Directors (As on 01/03/2010)

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

Ananthanarayanan K. V.	Head Legal
Aparanji Harsh	Head Human Resources
Bagaitkar Ravi	Head Business Process Excellence
Biswas Amitava	Head Integrated Supply Chain
Kelkar Anant	Head Information Technology
Nemade Snehal	Head Audit & Internal Controls
Pai Atul	Chief Financial Officer

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### Honeywell Process Solutions

Bhargava Ajay  
Abraham T. Joy  
Joshi Hemant  
Kumar Salil  
Shah Dharmesh

### Honeywell Building Solutions

Godbole Milind  
Dharachar Girish  
Rao Vasudeva

### Environment & Combustion Controls

Pradhan Ninad

### Sensing & Controls

Vinod Bambarkar

### Export Business

Tumkur Savyasachi  
Bhatia Vivek  
Mirakhur Rohit  
Naik Jagdish  
Rajagopal KS

### Registered Office

56 & 57, Hadapsar  
Industrial Estate,  
Pune 411 013

### Auditors

Price Waterhouse & Co.  
Chartered Accountants

### Bankers

ABN-Amro Bank N.V.  
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 2009**

**NOTICE** is hereby given that the **TWENTY-SIXTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held at **3.00 p.m. on Thursday, April 22, 2010** in Honeywell Automation India Ltd., 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 Profit and Loss Account for the year ended December 31, 2009 and the Balance Sheet as at that date.
2. To declare dividend.
3. To appoint a Director in place of Mr. Gerard Willis who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Shane Tedjarati 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. Anant Maheshwari, who was appointed an Additional Director of the Company by the Board of Directors with effect from March 1, 2010, 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 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. Anant Maheshwari as Managing Director, with effect from March 1, 2010, 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 relevant details in respect of Item nos. 6 and 7 above, pursuant to Section 173 of the Companies Act, 1956 and Item nos. 3 & 4 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.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 6, 2010 to Thursday, April 15, 2010 (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 despatch the Dividend Warrants from April 29, 2010 onwards.
- d) Members are requested to note that the Dividend Warrants are payable at par at the branches as printed overleaf of the Dividend Warrants 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.

**Notice** (contd.)**Honeywell Automation India Ltd.****Annual Report 2009**

- 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 - 400011.
- h) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 2003 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 31<sup>st</sup> March 2003 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**

**Sneha Padve**  
Company Secretary

Pune, February 15, 2010

**Registered Office:**

56 & 57, Hadapsar  
Industrial Estate,  
Pune 411 013

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****Item No. 6:**

Mr. Anant Maheshwari was appointed by the Board of Directors with effect from March 1, 2010, as an Additional Director on the Board. 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. Maheshwari as a Director.

Mr. Anant Maheshwari has been with the Honeywell Group based at Delhi since the last 6 years and has held various important positions such as Director – Business Development, Honeywell International India; Director, South Asia – Honeywell Security and most recently he was Managing Director – ADI Asia Pacific. Prior to joining Honeywell, he was with McKinsey & Company. Anant has done his BE (Hons) Electrical & Electronics from BITS Pilani; MSc (Hons) Economics, BITS Pilani and is an MBA (PGDBM), Indian Institute of Management, Ahmedabad.

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

**Item No. 7:**

Mr. Vimal Kapur has accepted a position with Honeywell International Inc. and will be based in Bracknell, UK and pursuant to his new role he has resigned from the Board of Directors w.e.f. March 1, 2010. Consequent to his resignation, the Board passed a resolution appointing Mr. Anant Maheshwari as the Managing Director for a period of 3 years w.e.f. March 1, 2010, 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. A Total Fixed Cash of Rs. 88,00,000/- (Rupees Eighty Eight lakhs) to Rs. 1,20,00,000/- (Rupees One crore, Twenty lakhs only) per annum, 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.

**Notice** (contd.)**Honeywell Automation India Ltd.**  
**Annual Report 2009****2. Commission:**

Such remuneration by way of commission (ICP), in addition to the Total Fixed Cash 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 eligible to long term incentives such as stock options, restricted units issued by Honeywell International 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.

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.

**Item Nos. 3 & 4:**

<b>Name of Director</b>	Mr. Gerard Willis	Mr. Shane Tedjarati
<b>Date of Birth</b>	27.12.1953	16.11.1962
<b>Date of Appointment</b>	01.01.2005	14.10.2008
<b>Expertise in specific functional areas</b>	Law	Engineering
<b>Qualifications</b>	1. New York University School of Law, 1986 Honors. 2. Brown University-B.A. International Affairs Honors. 3. George Washington University School of Public and International Affairs, Washington D.C.; M.A. International Affairs.	1. McGill University, Montreal - Computer Science and Mathematics. 2. University of Surrey, United Kingdom - MBA
<b>List of Indian Public Companies in which outside Directorships held as on December 31, 2009</b>	—	—
<b>Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2009</b>	—	—

**Directors' Report****Honeywell Automation India Ltd.**  
**Annual Report 2009**

Dear Members,

The Directors present the **TWENTY-SIXTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2009.

**1. FINANCIAL RESULTS :**

Particulars	Year ended December 31, 2009 (Rs. in lacs)	Year ended December 31, 2008 (Rs. in lacs)
Sales & Other Income	118137	101335
Operating Profit	19446	12691
Less: Interest	61	72
Depreciation	1186	852
Profit for the year	18199	11767
Provision for tax	5762	3986
Deferred Tax Adjustment	(843)	(404)
<b>PROFIT AFTER TAX</b>	<b>13280</b>	<b>8185</b>
Profit brought forward from the previous year	19991	11806
Profit available for appropriations	33271	19991
<b>APPROPRIATIONS</b>		
General Reserve	1328	—
Proposed Dividend	884	—
Tax on proposed dividend	150	—
<b>BALANCE CARRIED FORWARD</b>	<b>30909</b>	<b>19991</b>

**2. DIVIDEND:**

Final dividend @Rs.10/- per share of Rs.10/- each was recommended by the Board in their meeting held on February 1, 2010.

**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)** – Serves core industrial sectors of Refining, Oil & Gas, Pulp & Paper, Metal and Cement etc.
- **Honeywell Building Solutions (HBS)** – 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 embarked upon the journey to bring a small difference to society by focusing on – Health, Education & Environment through its club named Disha, which is an employee engagement program. HAIL initiated contributions from the employees through payroll and this funding has given way to various CSR projects undertaken this year. HAIL has continued to sponsor 50 children from Kolwan Valley in Mulshi Taluka in close co-ordination with Sadhana Village, an NGO. This sponsorship monitors child health and education. HAIL has worked with Aabha, an organization that focuses on educating people in rural areas on the health aspect, once again focusing on the Kolwan Valley.

HAIL has sponsored the construction of a new site Astitva Pratishthan, which is a Residential Vocational School which can accommodate 25 students a year. This program teaches youth vocational courses and aims at achieving development through educational system, imbibe a scientific temper & awaken the hidden potential in youths. In addition to this HAIL has sponsored 10 youths to attend this Diploma in Basic Rural Technology in an already running school - Vigyan Aashram.

HAIL conducted a discovery workshop to enhance skills of teachers to understand the principles of Mathematics, Science and Geography. Teachers from 12 schools were covered under this workshop.

#### 5. DIRECTORS:

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Gerard Willis and Mr. Shane Tedjarati, retire by rotation and are eligible for reappointment. Mr. Vimal Kapur has resigned as Managing Director pursuant to having accepted a new role in Honeywell. The Board places on record its sincere appreciation for the services rendered by him towards the success of this Company. Mr. Anant Maheshwari has been appointed as an Additional Director and Managing Director and he is eligible for re-appointment at this Annual General Meeting.

#### 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 Honeywell Code of Conduct by Directors and Senior Management, for the Financial Year 2009 is annexed and forms part of the Directors 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 -

- In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- 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;
- 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;
- They have prepared the annual accounts on a going concern basis.

**Directors' Report** *(contd.)***Honeywell Automation India Ltd.**  
**Annual Report 2009****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. 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.

**11. 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 investors, customers, vendors, regulatory authorities and bankers.

For and on behalf of the Board

**M. N. BHAGWAT**

Chairman

Pune, February 15, 2010

**Registered Office :**

56 & 57, Hadapsar Industrial Estate,  
Pune 411 013

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**Annexure I to  
Directors' Report****Honeywell Automation India Ltd.  
Annual Report 2009****Annexure to Directors' Report****A) CONSERVATION OF ENERGY :**

Your Company makes every effort to conserve energy required for all its operations. We have also taken measures for more enhanced power monitoring at all consumption points to drive improvement actions.

**B) TECHNOLOGY ABSORPTION :**

HAIL being an affiliate company of Honeywell International Inc., it has access to all 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. We also selectively decide to manufacture some products in India depending upon business case. Honeywell International Inc. also decided to shift manufacturing of some of its products to Pune and we have successfully absorbed technology for temperature transmitters and batch controllers in 2009.

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO :**

(Rs. '000)

(i) Foreign Exchange Earned	5366353
(ii) Foreign Exchange Used	4124963

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## Management Discussion & Analysis Report

## Honeywell Automation India Ltd. Annual Report 2009

### HIGHLIGHTS OF PERFORMANCE & MAJOR EVENTS IN 2009

- Orders up by 34% ↑
- Sales up by 17% ↑
- EBIDTA at Rs.190,30 Lakhs, up 52% ↑
- Improved Operating Cash Flow Performance and focused Working Capital Improvement of 5% as a percentage of Sales.
- Aggressive Cost and productivity actions to optimize Cost to Serve while addressing possible volume challenges driven by Economic Conditions.

### INDUSTRY OUTLOOK AND OPPORTUNITIES

Honeywell Automation India Limited (HAIL) operating results are driven by Industrial production, Capital Spending on Process and Building Automation, Commercial & Infrastructure Construction, Commodity and Foreign Exchange variations, Environment, Security and Safety concerns and regulations. Some of the important market conditions were :

- Tailwinds in exports volume from Honeywell and Non Honeywell customers due to favourable order mix and further compelling needs to leverage emerging regions for delivery of global projects.
- Continued Government spending on key infrastructure projects like Roads, Airports, Mass Transit systems, Energy Conservation initiatives and Electronic Security spending helping volume growth opportunities in Buildings Segment.
- Investment upcycle in Power, Transmission and distribution, Oil Exploration projects off set headwinds due to delayed decisions in Oil Marketing and distribution investments and private investments in Chemicals, Paper and other Small and Medium Enterprises (SME) process Industries.
- Firming demand in last quarter of 2009 in Automobile segment, Tier 2 and 3 cities in Construction segment and some improvement in Credit availability to SME are reversing trends of volume shrinkage which persisted through most of 2009.

#### Honeywell Process Solutions (HPS):

Solutions offered include Field Instruments, PLC's, Distributed Control Systems, Emergency Shut down Systems (ESD), Quality Controls Systems (QCS), Advanced Software Solutions and various value added services. Overall the business performed very well in 2009 and won several new contracts from customers across various vertical markets that your Company addresses.

Process Solutions offers its Solutions & Products in 4 modes .Each of the mode i.e New Construction, Advance Solutions, Life Cycle Services (LCS) & Field Solutions did very well & order booking in 2009 grew substantially over 2008.

The major wins included two large Power Projects from NTPC in addition to large orders from Essar, Tata Steel, Reliance Power, General Electric, Reliance Industries, RCF, etc to name a few of our esteemed customers. The business won many Operator Training Simulator projects in Power & Refinery segments & has established its leadership position in advance applications within Industrial customers. Honeywell Field Instruments (HFS) won few large projects & launched wireless Products in India. HFS won a large deal from British gas for off shore application. Life Cycle Services (LCS) division also did very well & helped many customers with its value added services like Operator driven Reliability & Migration services.

2010 will be a challenging year for HPS due to increased competition in the market. However, given the vast diversity of Products and Solutions portfolio & market reach, we will strive to sustain our good performance of 2009 in 2010 as well. We shall rely heavily on continuous investments made in our country in Refining, Power and Gas sectors. Your Company has a strong position in each of these Industries and with the available opportunities; we expect to win a fair share of the demand.

HPS has also launched Industrial Security & Energy Management portfolio in 2009. Renewed higher threat perception and focus of energy conservation will lead to growth potential in these applications & your Company has a strong Product/ Solution portfolio.

HPS globally continues to invest in technology even in recession time & these continued investments in new Products will help HPS to make its competitive position much stronger in 2010.

**Honeywell Building Solutions (HBS):**

HBS provides intelligent buildings that are operationally & energy efficient. As part of its intelligent buildings suite, HBS provides Building Management Systems (HVAC, Lighting and Utilities Monitoring & Control), Fire Detection & Alarm Systems, Access Control Systems, Video Surveillance Systems, Integrated Security Systems and Integrated Building Management Systems leveraging Honeywell's Enterprise Buildings Integrator™ or EBI. As part of its operational efficiency promise, HBS provides After Market Services for all Control Systems as well as comprehensive Utilities Operations & Maintenance Services for all Mechanical and Electrical Systems in a building and as part of its energy efficiency promise, HBS provides Energy Management Services, Energy Retrofits and Energy Performance Contracts.

This business performed well in 2009 and won several contracts in each of the three focus areas. In the intelligent buildings space your Company won several major project wins such as ICICI Bank, Delhi Metro, HCL Technologies, Tata Consultancy Services, Bharti Airtel and many others. In the area of operational efficiency your Company won major After Market Services Contracts from ICICI Bank, TCS, TTSL and Hyderabad Airport, to name a few and Utilities Operations & Maintenance Contracts from Bharti Airtel. Finally in the area of Energy Efficiency your Company won major Energy Contracts from the Renaissance (leveraging the Clinton Climate Initiative), Titan, Thermax, Rahejas, TATA Steel and SKF.

With a credible track record, an ability to innovate and solid systems and processes for execution and Life Cycle Management, this business is poised for sustained profitable growth in 2010.

**Environment and Combustion Control (ECC):**

ECC witnessed a flat year in a challenging environment with the continued effect of soft economy in Real Estate & Commercial Construction. The Building Management System (BMS) business, though adversely affected by decrease in number of projects in market, was successful in winning major orders from ITC Grand Chola, Marriot & some orders for stadiums built for the Commonwealth Games 2010. The Industrial Combustion Control business saw some positive trends with revival of industrial demand in the last quarter. Solar water heater launched in early in 2009 registered good business from residential sales and is expected to show strong growth in 2010 driven by rising energy cost and implementation of Government policies in leveraging Renewable Energy Solutions.

Revival of Construction and Real Estate Segment would drive growth of the diversified product portfolio for the business in 2010.

**Sensing & Control (S&C):**

Sensing & Control (S&C) – Sensing and Control improved business performance over 2008 inspite of very low demand in the Transportation segment and reduced OEM off-take by improving the business mix and reduced dependence on the Automotive segment. The expanded Test & Measurement line of business has contributed substantially to the growth with focused penetration in Military and Aeronautical industries, Educational & Research Institutions.

To improve market penetration and enhance customer contact, Sensing & Control has re-aligned the sales and marketing teams in key verticals viz. Industrial, Military/Aeronautical and Transportation and this is providing the desired results. The business is also investing to increase its local manufacturing.

Firming demand in automobile segments and diversification in other verticals and applications will help the business to pursue growth in 2010.

**Exports Business Group (EBG):**

EBG business offers product manufacturing, solutions and services to overseas requirements of Honeywell and other customers continues to show strong growth due to increased flow of work from Honeywell which is further helped substantially by favourable exchange rate. The Engineering Services business export, which are part of total exports, grew by 30% in 2009. The expansion was driven by project execution upcycle of large global projects in the backlog. Honeywell Operating System (HOS) represents holistic approach to operational excellence and the business continued to drive Cost and Engineering Productivity under this framework. Service expansion to other Honeywell Companies has diversified the business. This has also resulted in skill expansion within the team and multi-tasking. Knowledge Management is a focus area. An initiative towards increased product ownership for global support has resulted in transfer of engineering skills to HAIL. Product Localization and Value Engineering aimed at optimizing product cost has been initiated on a variety of products.

The Global Supply Chain rationalization initiative stabilized in early part of 2009; however global volumes saw considerable shrinkage driven by demand contraction in the Field Solution Products. The business made earnest efforts to sustain profitability in reducing global volumes, which continue to be strained in the immediate future. The Company's manufacturing facility continued to get accreditation for Manufacturing Excellence by Frost & Sullivan India.