

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. 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. 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 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."

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.

- 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. Raiji & 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:

- l) 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.

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:

- 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.

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 |

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.

Six Sigma acts as a strong enabler for growth and productivity improvement. Last year, two of the projects were selected for final Exhibition at the Quest For Excellence (QFE) event at Shanghai. This was in competition to the projects launched throughout Asia Pacific by Honeywell. One of the HAIL projects, i.e. "Automotive on Board Sensing Product" was selected as the best in the entire Asia Pacific.

The ERP and Digitization drive across the Company has helped to achieve better productivity. All the management decisions are now taken based on the factual data available through ERP. Your Company also introduced a supplier performance scorecard and benchmarking system in order to manage the supplier relationships better. 100% of the repeat suppliers are put through this process on quarterly basis.

Your Company completed the construction of a new building in January 2005, which has now provided additional seating space for 425 people and also provides space for the test labs. The entire additional space has already got occupied due to increase in headcount resulting from growth of the business.

6. COMMUNITY DEVELOPMENT WORK :

The community development work under the employee engagement program called DISHA has launched a mentorship and education programme with an NGO called Hermann Greimer Social Centre (HGSC). HGSC works with street children and helps them with education and vocational training which will help give them a firm foundation for life. This is an employee volunteer programme where employees spend time with the children helping them with their studies, especially in Science and Math and also in spoken English. They also help them make and promote hand made items like paper bags, diyas, candles etc., which can provide for alternate means of sustenance.

DISHA also conducted Blood and Eye donation camps in the Company. In June 2004, DISHA organised a tree plantation drive around our Pune campus. Our Parent Company Honeywell International Inc. has also made a commitment of USD 1 million this year towards relief work of Tsunami victims. In addition, all employees of HAIL have contributed one day's salary with an equal contribution by the Company towards relief activities.

The Company also donates computers on a regular basis to Government approved schools and needy institutions in both urban and rural areas to create an awareness and interest in computers. This is a significant step towards our key Corporate Social Responsibility mission, which is "Education".

The senior management of your Company are involved in a mentorship programme called "WINGS" wherein they act as mentors (on a one-to-one basis or maximum one mentor and two mentees) to students from key engineering colleges (College of Engineering, Pune, Cummins, etc.,) This programme is to give corporate world exposure to the engineering students, (seniors) and also groom them - personal visits to company etc.

7. DIRECTORS :

During the year under review and upto the date of this report, Mr. R. Gopalakrishnan and Mr. K.A. Chaukar, nominees of Tata Group, Mr. Cyrus Guzder and Mr. Ram Savoor, Independent Directors, resigned as Directors of the Company, consequent to the takeover by Honeywell. The Board places on record its sincere appreciation for the services rendered by them towards the success of this joint venture. Mr. M.N. Bhagwat resigned as a nominee of the Tata Group and has been re-appointed as an Additional Director on the Board and he holds office upto the date of this Annual General Meeting and he is eligible for re-appointment. Mr. Ashwani Gupta has resigned as a Director and has been appointed as an Alternate Director to Mr. John O'Higgins.

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. John O'Higgins, retires by rotation and is eligible for reappointment.

8. DIRECTORS' RESPONSIBILITY STATEMENT :

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

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

- b) They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) They have prepared the annual accounts on a going concern basis.

9. AUDITORS :

M/s. N.M. Raiji & Co., the Statutory Auditors, retire at the forthcoming Annual General Meeting and have expressed their inability to continue as Auditors of the Company. Your Company thanks them for the services provided by them over the last eighteen years.

The Audit Committee has evaluated proposals from leading Audit firms and on the basis of their recommendations to the Board, your Company recommends the Audit firm of M/s. Price Waterhouse & Co., to be appointed as the Statutory Auditors of your Company.

10. OTHER INFORMATION :

Information as per Section 217 of the Companies Act, 1956, as amended, pertaining to absorption of technology, foreign exchange earnings and outgo and particulars of employees, is given as an Annexure to this Report and forms part of it.

The Management is of the opinion that, since there is no trading of our shares on the Pune Stock Exchange, it is not viable for the shares of the Company to remain listed on this Exchange. An item for Delisting of the shares has been included in the Notice to be passed by the Company in the General Meeting.

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 Bankers and from the Financial Institutions.

Pune, February 23, 2005

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

For and on behalf of the Board
JOHN O'HIGGINS
Chairman

Annexure to Directors' Report

A) CONSERVATION OF ENERGY :

The Company continues its endeavour to improve energy conservation and utilization.

B) TECHNOLOGY ABSORPTION :

FORM B

Research and Development (R&D) :

1. Specific areas in which R&D is carried out by the Company :

- New product development for cooling solutions and building solutions.
- HMI framework development
- Terminal loading software for HPI downstream

2. Benefits derived as a result of above R&D:

- Product availability for unaddressed market for Asia Pacific region.
- Hardware and Software design capability enhancement.

3. Future plan of action:

- Define road map for all products and continued development.
- Additional Transmission & Distribution product development to be taken up.

4. Expenditure on R&D :

| | 2004 | 2003-04 |
|---|-----------------------|---------|
| | (Rs. In lakhs) | |
| (a) Capital | — | — |
| (b) Recurring | 100.87 | — |
| (c) Total | 100.87 | — |
| (d) Total R&D expenditure as a percentage of turnover | 0.35% | — |

Technology Absorption, Adaptation And Innovation :

1. Efforts, in brief, made towards technology absorption and innovation : During the year an agreement for Technology Transfer of High Performance Process Manager Input Output Boards was concluded and the Technology Transfer was implemented successfully.
This resulted in substantial cost savings in the HPS System.
2. Benefits derived as a result of the above efforts : Enhancing cost competitiveness of our Systems.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.
 - a) Technology imported
 - i. Global User Station
 - ii. High Performance Process I/Os.
 - b) Year of Import
 - i. 2001-02
 - ii. 2003-04
 - c) Has the technology been fully absorbed : Has been successfully absorbed.
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action : Not Applicable

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

| | Rs.'000 |
|-----------------------------|---------|
| (i) Foreign Exchange Earned | 751435 |
| (ii) Foreign Exchange Used | 1020228 |

Annexure II to Directors' Report

Statement pursuant to Section 217(2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended December 31, 2004.

Persons employed throughout the Financial Year who were in receipt of Remuneration for the year which in aggregate was not less than Rs.24,00,000/- per annum.

| Name | Designation & Nature of duties | Qualifications | Age | Gross Remuneration | Net Remuneration | Total Experience | Date of joining | Last Employment/ Designation |
|--------------------------|-----------------------------------|---------------------|-----|-----------------------|---------------------|---------------------|--------------------|--|
| Deshpande Vinayak K.* | Managing Director * | B. Tech Chemical | 47 | 44,85,436 | 29,81,007 | 24 | 19/10/89 | Gujarat Carbon Ltd. Project Manager |

* Resigned as Managing Director with effect from 20th Dec., 2004.

Notes :

Remuneration includes salary, allowances and commission received during the year, reimbursement of medical expenses, leave travel assistance, company's contribution to provident fund and superannuation fund and the monetary value of perquisites which is as per the Income Tax Act, wherever applicable, but excludes contribution towards gratuity.

Net remuneration is arrived by deducting from the gross remuneration income tax, company's contribution towards provident fund and superannuation fund wherever applicable and the monetary value of non-cash perquisites.

For and on behalf of the Board

JOHN O'HIGGINS
Chairman

Pune, February 23, 2005

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

HIGHLIGHTS OF PERFORMANCE

- Order growth of 19% over last year ↑
- Sales growth of 32% over last year ↑
- Productivity improvement (defined as contribution per employee) of 15% over last year ↑
- Net working capital as a percentage of Sales down by 5% over last year ↓
- Strong focus on growth projects, new product development & reduced Cost to Serve (CTS) using Six Sigma framework methodology.

INDUSTRY OUTLOOK AND OPPORTUNITIES

The Indian economy has witnessed all round growth in year 2004 with increased investments in the industrial, infrastructure, building and security market.

The HONEYWELL PROCESS SOLUTIONS (HPS) business serves core industrial sectors of Refining, Oil & Gas, Pulp & Paper, Metal and Cement etc. This business has experienced good growth & expected to grow in FY 2005. The general industrial growth has been the key driver for growth of this business, opening of some markets such as power generation, deregulation of administered prices of petroleum products, new investment in steel and non-ferrous metals are also driving growth of this business.

The HONEYWELL BUILDING SOLUTIONS (HBS) business serves Commercial Buildings, Hospitals, Hotels, Airports, Mass Rapid Transit (MRT) etc. This sector is witnessing quantum growth in all sectors especially fire and security systems requirement from Government and Industrial sector is growing year on year.

The CONTROL PRODUCTS (CP) division deals with Field Instruments, Environment Control Products and various Sensing Products. This Business serves primarily OEMs, Process Control Industry, auto, white goods and Commercial establishments. The division is experiencing good growth in this Line of Business.

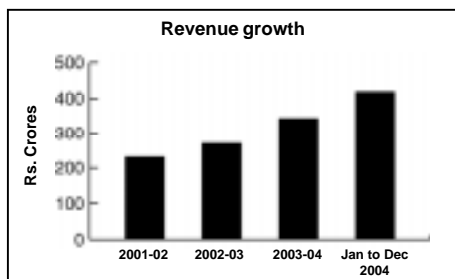
The GLOBAL SERVICES (GS) business continues to show strong growth due to increased outsourcing from Honeywell. The Company last year had started activity in the adjacent areas such as embedded design & third party engineering. The response from the adjacent market has been very encouraging and many orders have been received from major MNC's.

RISKS & CONCERNS

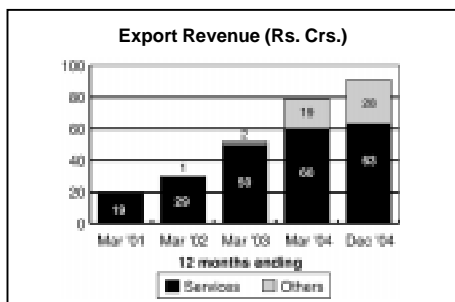
The growth in your Company's business to some extent is dependent on the sustaining momentum of the economy. While fundamentals appear to be strong, Indian economy picture needs to be cautiously viewed based on past record, political scenario, progress of secondary reforms and global integration.

The dollar continues to be weakening with respect to the Indian Rupee, which has impacted the earning in the Global services business. The mitigation action put in place last year to converting the contracts to other currencies, the productivity improvement and moving up the value chain are fetching positive results.

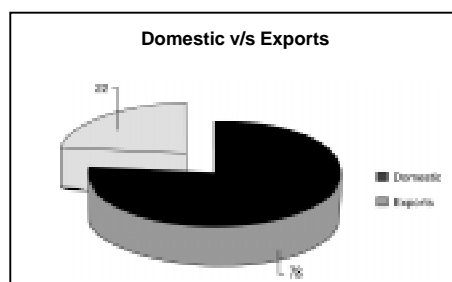
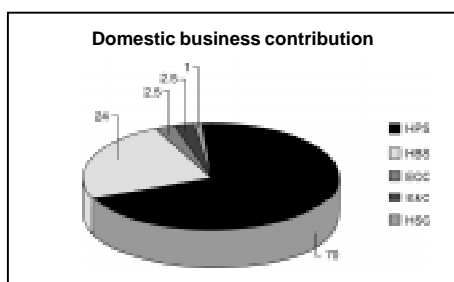
BUSINESS ANALYSIS



- The Company continues to maintain revenue growth by focussing on growth areas and the adjacent markets.
- The revenue growth works out to 32% over corresponding period last year.



- Hardware exports are seeing a growth year on year and the trend has been positive.



HUMAN RESOURCES

Human Resources are the biggest assets of the organisation. As the Company is moving up in the value chain, Human Resources is becoming one of the biggest business assets of the Organisation. Therefore, to remain ahead in the competitive market, a large number of initiatives have been undertaken to improve the knowledge process and the competencies of the employees. A sizeable amount of profit before tax is invested in the learning & development of people.

Some of the initiatives are:

- Focus on L&D and certification of employees. All eligible employees in the organization have gone through structured training.
- Building of knowledge management framework
- Rolling out MRR (management resources review) to address organisation planning
- Performance Planning & Management System (PPMS) is tightly linked with the goals and objectives and cascading of employees key result area (KRA).

SIX SIGMA & DIGITISATION

- Several Six Sigma projects were implemented in the area of Cost to Serve, productivity enhancement and growth initiatives. These projects are yielding good results. The organisation has certified six sigma experts including a Master Black Belt. This year the target is to take 25% of the employees through Six Sigma certification.
- Company's ERP system is now fully deployed and is yielding business benefits.
- This year Company plans to roll out CRM solutions in the area of after market services to improve service delivery to customers.
- The Company also plans to deploy web based tools for project and resource planning and scheduling.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Management Audit

The Company has a strong management audit framework. The Audit Committee consists of one Promoter Director & two Independent Directors. The Audit Committee meets every quarter to review compliance with internal controls, accounting standards, policies, quarterly accounts etc. The findings of internal and statutory auditors are presented to the Audit Committee. The Committee in turn then sets the direction for the management and makes recommendation to the board.

Budget Control

At the beginning of the financial year, the Annual Operations plans are developed by the Business Units / Departments which get approved by the Board and are rolled out in the Organisation. The weekly and monthly MIS report provides Actual performance versus budgets.

The Company has a strong budget and expense control mechanism in place. The Leadership Council, the Business Unit / Department Head review the performance of the business and the expenses on a monthly basis. The corrective actions are discussed and implemented.

The Board of Directors review business performance every Quarter and suggest the corrective actions to ensure that performance is in line with the budgets.

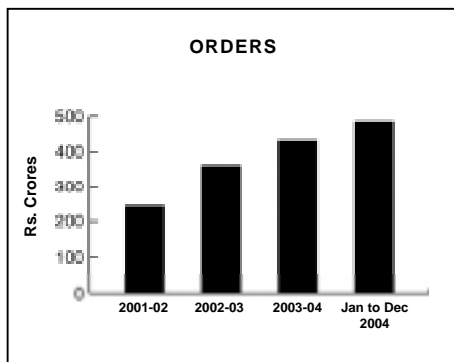
Process Audit

The Company has a formal process audit frame work. The team consisting of Central quality & system department, Six Sigma and Business unit/ Department heads.

The Central Quality and Six-sigma team on monthly basis reviews the processes as per laid down plans, policies and tollgates. The findings are then presented by the team during monthly reviews of business unit/ department. Through the review, corrective actions to comply with the laid down processes are discussed and implemented.

Each Business unit/ Department has the process plan duly approved by the Leadership Council and internal auditor.

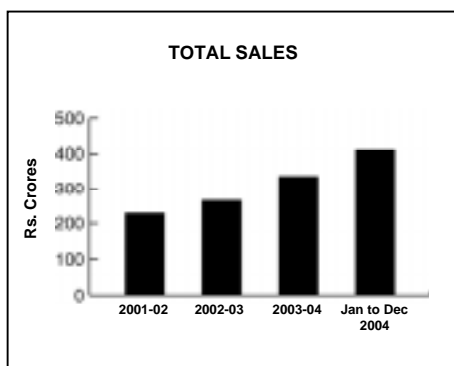
FINANCIAL PERFORMANCE



Order growth of 19% over corresponding period last year.

Major Orders were

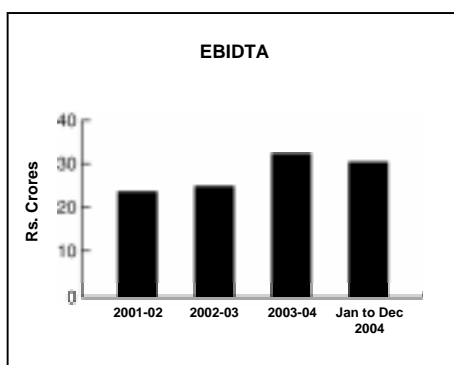
- BHEL-IOC Panipat CPP.
- Renovation of Neville Lignite Power plant.
- Performance contracting for Jaslok Hospital.
- SCADA systems for New Delhi Power Limited.



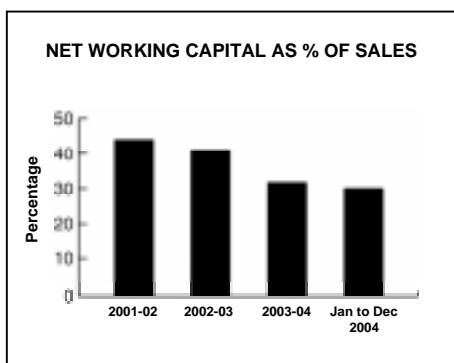
Total sales growth of 32% over the corresponding period last year.

Major Achievements were

- Fairly uniform revenue quarter by quarter.
- Better working capital and cash flow performance.
- Reduction in cycle time.



EBIDTA has shown a fall from the previous year on account of higher provisions for bad debts and write down of obsolete inventory as the Company is moving towards a more conservative provisioning regime.



Net working capital improvement of 5% over last year due to tighter credit policy and commercial governance

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include domestic manufacturing sector growth & USD to Rupee parity.

To
The Members of Honeywell Automation India Limited

1. We have audited the attached Balance Sheet of Honeywell Automation India Limited (formerly TATA Honeywell Limited), as at December 31, 2004, and also the Profit and Loss account and the Cash Flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) (Amendment) Order, 2004 (hereinafter referred to as the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of the written representations received from directors of the Company, as on December 31, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2004;
 - (ii) in the case of the Profit and Loss account, of the profit for the period ended on that date; and
 - (iii) in the case of Cash Flow statement, of the cash flows for the period ended on that date.

For **N. M. RAIJI & COMPANY**
Chartered Accountants

Vinay D. Balse
Partner

Membership No. 39434

Mumbai, February 23, 2005

Referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) In accordance with the phased programme for verification of fixed assets, certain items of fixed assets were physically verified by the management during the period and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the period were not substantial so as to affect the going concern assumption.
- (ii) (a) Stocks of inventories have been physically verified during the period by the management. The Company has a perpetual inventory system. In our opinion, the frequency of such verification is reasonable. In respect of stocks lying with third parties, related confirmations have been obtained by the Company.
- (b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stock and the book stock were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clause 3(b), (c), (d), (e), (f) and (g) of the Order are not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under the aforesaid section.
- (b) The transactions made in pursuance of such contracts or arrangements stated in clause v (a) above have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public. Consequently, the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie, the prescribed accounts and records have been maintained and are being made. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other dues, during the period, with the appropriate authorities.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of account, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess, were in arrears, as at December 31, 2004 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, following are the dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited on account of disputes with the related authorities:

| Sr. | Name of Statute | Amount (Rs. lakhs) | Forum where dispute is pending |
|-----|--|--------------------|--------------------------------|
| 1. | Central Excise | | |
| | | 61.60 | Commissioner |
| | | 65.85 | CESTAT |
| | | 19.20 | Commissioner (Appeals) |
| | | 2.40 | Deputy Commissioner |
| | Sub-total (A) | 149.05 | |
| 2. | Customs | 34.23 | Deputy Commissioner |
| | Sub-total (B) | 34.23 | |
| 3. | Sales Tax | | |
| | Delhi Sales Tax | 1.04 | Deputy Commissioner |
| | Sub-total (C) | 1.04 | |
| 4. | Works Contract Tax | | |
| | Delhi Works Contract Tax | 2.86 | Assistant Collector |
| | Sub-total (D) | 2.86 | |
| | Grand Total (A)+(B)+(C)+(D) | 187.18 | |

- (x) The Company does not have any accumulated losses at the end of the financial period and has not incurred cash losses during the financial period and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. The Company does not have any outstanding debentures.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- (xiv) To the best of our knowledge and belief and according to the information given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the Company has not availed of any term loans except by way of deferment of sales tax liabilities in terms of the 'Package Scheme of Incentives' of the Government of Maharashtra.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the period for long-term investments.
- (xviii) To the best of our knowledge and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period. As such, no security or charge has been created.
- (xx) The Company has not raised any monies by way of public issues during the period.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For **N. M. RAIJI & COMPANY**
Chartered Accountants

Vinay D. Balse
Partner

Membership No. 39434

Mumbai, February 23, 2005

**Balance Sheet as at
31st December, 2004**

Honeywell Automation India Ltd.
Annual Report 2004

| | Schedule | (Rs. '000) | As At 31st December 2004 (Rs. '000) | As At 31st March 2004 (Rs. '000) |
|---|----------|--------------|--|---|
| SOURCES OF FUNDS | | | | |
| 1. Shareholders' Funds : | | | | |
| a) Share Capital | 1 | 88,415 | | 88,415 |
| b) Reserves and Surplus | 2 | 971,858 | | 958,833 |
| | | | 1,060,273 | 1,047,248 |
| 2. Loan Funds : | | | | |
| a) Secured Loans | 3 | 523,159 | | 288,988 |
| b) Unsecured Loans | 4 | 133,795 | | 135,672 |
| | | | 656,954 | 424,660 |
| | | TOTAL | 1,717,227 | 1,471,908 |
| APPLICATION OF FUNDS | | | | |
| 1. Fixed Assets : | 5 | | | |
| a) Gross Block | | 774,667 | | 754,012 |
| b) Less : Depreciation | | 449,670 | | 383,144 |
| c) Net Block | | 324,997 | | 370,868 |
| d) Capital Work-in-progress, including Capital Advances | | 79,366 | | 15,417 |
| | | | 404,363 | 386,285 |
| 2. Investments | 6 | | 1,500 | 1,500 |
| 3. Deferred Tax Asset / (Liability) (Net) (Refer Note 3 (vii) of Schedule 18) | | | 53,117 | (14,017) |
| 4. Current Assets, Loans and Advances : | | | | |
| a) Inventories | 7 | 410,667 | | 262,361 |
| b) Sundry Debtors | 8 | 1,562,802 | | 1,275,277 |
| c) Cash and Bank balances | 9 | 22,194 | | 150,928 |
| d) Loans and Advances | 10 | 330,193 | | 338,441 |
| | | 2,325,856 | | 2,027,007 |
| Less : Current Liabilities and Provisions | 11 | 1,073,464 | | 941,136 |
| Net Current Assets | | | 1,252,392 | 1,085,871 |
| 5. Miscellaneous Expenditure (To the extent not written off or adjusted) | 12 | | 5,855 | 12,269 |
| | | TOTAL | 1,717,227 | 1,471,908 |
| Notes on Accounts | 18 | | | |

As per our report of even date attached
For N.M. Raiji & Co.
Chartered Accountants

John O'Higgins

Chairman

Harshavardhan Chitale

Managing Director

Vinay Balse
(Partner)
Membership No.39434
Mumbai, February 23, 2005

Sneha Padve

Company Secretary

Pune, February 23, 2005

| | Schedule | For the Period ended 31st December 2004 (Rs. '000) | For the Year ended 31st March 2004 (Rs. '000) |
|--|----------|---|--|
| INCOME | | | |
| 1. Sales | 13 | 2,885,590 | 3,424,368 |
| Less : Excise Duty recovered | | 76,157 | 121,435 |
| Net Sales | | 2,809,433 | 3,302,933 |
| 2. Other Income | 14 | 18,978 | 51,199 |
| | | 2,828,411 | 3,354,132 |
| EXPENDITURE | | | |
| 1. Material and Manufacturing Expenses | 15 | 1,625,996 | 1,981,072 |
| 2. Employees' Remuneration and Benefits | 16 | 469,407 | 476,826 |
| 3. Selling, Administration and Other Expenses | 17 | 575,976 | 565,955 |
| 4. Interest (Refer Note 7 of Schedule 18) | | 18,110 | 37,397 |
| 5. Depreciation | | 68,158 | 83,231 |
| 6. Amortisation of Miscellaneous Expenditure | | 6,414 | 8,776 |
| | | 2,764,061 | 3,153,257 |
| Profit before tax | | 64,350 | 200,875 |
| Provision for taxation | | | |
| Current | | (14,913) | — |
| Deferred | | 54,876 | 51,674 |
| Relating to earlier years | | (19,392) | — |
| Profit after tax | | 84,921 | 252,549 |
| Add : Profit brought forward from Previous Year | | 171,849 | 149,095 |
| Amount available for appropriation | | 256,770 | 401,644 |
| APPROPRIATIONS | | | |
| Proposed Dividend | | 44,208 | 70,732 |
| Dividend Distribution Tax | | 5,777 | 9,063 |
| Transfer to General Reserve | | 10,000 | 150,000 |
| Balance carried to Balance Sheet | | 196,785 | 171,849 |
| | | 256,770 | 401,644 |
| Earnings per Share - Basic & Diluted - (Not annualised) (Face Value Rs. 10/- per share) | | 9.60 | 28.56 |

Notes on Accounts 18

As per our report of even date attached
For N.M. Raiji & Co.
Chartered Accountants

John O'Higgins

Chairman

Harshavardhan Chitale

Managing Director

Vinay Balse
(Partner)
Membership No.39434
Mumbai, February 23, 2005

Sneha Padve

Company Secretary

Pune, February 23, 2005

| | As At 31st December 2004 (Rs. '000) | As At 31st March 2004 (Rs. '000) |
|--|--|---|
| SCHEDULE - 1 : SHARE CAPITAL | | |
| Authorised : | | |
| 10,000,000 Equity Shares of Rs. 10 each (Previous Year 10,000,000 Equity Shares of Rs. 10 each) | <u>100,000</u> | <u>100,000</u> |
| | <u>100,000</u> | <u>100,000</u> |
| Issued : | | |
| 8,841,697 Equity Shares of Rs. 10 each (Previous year 8,841,697 Equity Shares of Rs. 10 each) | <u>88,417</u> | <u>88,417</u> |
| | <u>88,417</u> | <u>88,417</u> |
| Subscribed and Paid-up : | | |
| 8,841,523 Equity Shares of Rs 10 each, fully paid up (Previous year 8,841,523 Equity Shares of Rs 10 each, fully paid up) | <u>88,415</u> | <u>88,415</u> |
| Note : 7,182,475 equity shares constituting 81.24% of the paid-up capital of the Company are held by Honeywell International Inc., the ultimate holding company, through its 100% subsidiary, Honeywell Asia Pacific Inc. | TOTAL <u>88,415</u> | <u>88,415</u> |

| | As At 31st December 2004 (Rs. '000) | As At 31st March 2004 (Rs. '000) |
|--|--|---|
| SCHEDULE - 2 : RESERVES AND SURPLUS | | |
| Securities Premium Account | 157,708 | 157,708 |
| General Reserve As per last Balance Sheet | 626,555 | 503,032 |
| Less : Tax in respect of earlier years | — | 26,477 |
| Less : Provision for Impairment of fixed assets (Refer Note 3 (i) of Schedule 18) | 34,169 | |
| Less : Deferred Tax Adjustment | <u>12,258</u> | — |
| 21,911 | | |
| Add : Transferred from Profit and Loss Account | <u>10,000</u> | <u>150,000</u> |
| | <u>614,644</u> | <u>626,555</u> |
| Investment Allowance (Utilised) Reserve | 2,721 | 2,721 |
| Balance in Profit and Loss Account | <u>196,785</u> | <u>171,849</u> |
| TOTAL | <u>971,858</u> | <u>958,833</u> |

| | As At 31st December 2004 (Rs. '000) | As At 31st March 2004 (Rs. '000) |
|--|--|---|
| SCHEDULE - 3 : SECURED LOANS | | |
| Cash Credit (Refer Note 5 (a) of Schedule 18) | 385,213 | 269,061 |
| Foreign Currency Loan (Refer Note 5 (a) of Schedule 18) | 137,946 | 19,927 |
| TOTAL | <u>523,159</u> | <u>288,988</u> |

SCHEDULE - 4 : UNSECURED LOANS

| | | |
|--|----------------|----------------|
| Deferred Sales Tax Liability | 71,649 | 73,526 |
| (a) Under the 1987 Package scheme of Incentives Govt. of Maharashtra (Due within one year 4,279 TINR; Previous year - 1,877 TINR) (Refer Note 5(b) of Schedule 18) | | |
| (b) Under the 1993 Package Scheme of Incentives Govt. of Maharashtra (Due within one year Nil; Previous year - Nil) (Refer Note 5(b) of Schedule 18) | 62,146 | 62,146 |
| TOTAL | <u>133,795</u> | <u>135,672</u> |

SCHEDULE - 5 : FIXED ASSETS

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | | NET BLOCK | | |
|--|--------------------------|---------------|---------------|------------------------|--------------------------|-------------------|---------------|------------------------|------------------------|--------------------------|
| | As at 31st March, '04 | Additions | Deductions | As at 31st Dec, '04 | As at 31st March, '04 | For the period | Deductions | As at 31st Dec, '04 | As at 31st Dec, '04 | As at 31st March, '04 |
| Land | 3,024 | - | - | 3,024 | - | - | - | - | 3,024 | 3,024 |
| Buildings | 56,025 | - | - | 56,025 | 16,261 | 1,390 | - | 17,651 | 38,374 | 39,764 |
| Plant & Machinery (Refer Note 1 Below) | 218,575 | 5,812 | 966 | 223,421 | 139,262 | 28,802 | 465 | 167,599 | 55,822 | 79,313 |
| Computers | 150,990 | 43,459 | 31,173 | 163,276 | 93,358 | 14,748 | 31,014 | 77,092 | 86,184 | 57,632 |
| Furniture, Fixtures & Equipments | 66,477 | 3,168 | 4,695 | 64,950 | 29,437 | 3,238 | 2,590 | 30,085 | 34,865 | 37,040 |
| Office Equipment | 24,125 | 2,711 | 1,993 | 24,843 | 8,536 | 1,428 | 1,048 | 8,916 | 15,927 | 15,589 |
| Vehicles (Refer Note 2 Below) | 16,186 | 3,036 | 1,523 | 17,699 | 4,868 | 2,949 | 684 | 7,133 | 10,566 | 11,318 |
| Product Distribution Rights - SAARC | 82,462 | - | - | 82,462 | 27,243 | 36,508 | - | 63,751 | 18,711 | 55,219 |
| Product Distribution Rights - HSPL | 105,962 | - | - | 105,962 | 55,607 | 7,964 | - | 63,571 | 42,391 | 50,355 |
| Oracle License | 11,646 | - | - | 11,646 | 2,815 | 873 | - | 3,688 | 7,958 | 8,831 |
| Software | 18,540 | 2,819 | - | 21,359 | 5,757 | 4,427 | - | 10,184 | 11,175 | 12,783 |
| TOTAL | 754,012 | 61,005 | 40,350 | 774,667 | 383,144 | 102,327* | 35,801 | 449,670 | 324,997 | 370,868 |
| Capital Work-in-progress (including Capital Advances) | | | | | | | | | 79,366 | 15,417 |
| Previous Year | 694,153 | 77,595 | 17,736 | 754,012 | 314,327 | 83,231 | 14,414 | 383,144 | 404,363 | 386,285 |

* Refer Note 3 (ii) of Schedule 18

NOTES

1) Includes assets given on operating lease, details of which are as under :

| Description | Gross Carrying Amount | Accumulated Depreciation | Depreciation for the Period |
|---------------------------|-----------------------|--------------------------|-----------------------------|
| Security Systems for Home | 281 | 221 | 70 |
| Security Systems for Shop | 1,138 | 984 | 284 |
| | <u>1,419</u> | <u>1,205</u> | <u>354</u> |

2) Includes assets taken on finance lease, details of which are as under :

| Description | Gross Carrying Amount | Accumulated Depreciation | Depreciation for the Period |
|----------------------|-----------------------|--------------------------|-----------------------------|
| Motor Cars (25 Nos.) | 15,327 | 6,445 | 2,726 |

| | As At 31st December 2004 (Rs. '000) | As At 31st March 2004 (Rs. '000) |
|--|--|---|
| SCHEDULE - 6 : INVESTMENTS | | |
| Trade Investments - at cost | 4,000 | 4,000 |
| Unquoted - long term 4,000 Equity Shares of Rs. 1,000 each fully paid of Central Monitoring Services India Pvt. Ltd. | | |
| Less : Provision for Diminution in Value of Investment | 2,500 | 2,500 |
| TOTAL | <u>1,500</u> | <u>1,500</u> |
| SCHEDULE - 7 : INVENTORIES (As valued and certified by the Management) | | |
| Raw Material (at cost) | 280,236 | 207,807 |
| Raw Material-in-transit (at cost) | 17,951 | 2,804 |
| Work-in-Progress (at lower of cost or net realisable value) | 99,830 | 44,491 |
| Finished Goods (at lower of cost or net realisable value) | 12,650 | 7,259 |
| TOTAL | <u>410,667</u> | <u>262,361</u> |
| SCHEDULE - 8 : SUNDRY DEBTORS | | |
| Sundry Debtors (Unsecured) Exceeding Six Months | | |
| Considered Good | 217,572 | 396,228 |
| Considered Doubtful | 149,184 | 40,755 |
| | <u>366,756</u> | <u>436,983</u> |
| Others - Considered Good | 1,345,230 | 879,049 |
| Less - Provision for Doubtful Debts (This includes Retention Money not due of 512,437 TINR; Previous year -417,346 TINR) | 149,184 | 40,755 |
| TOTAL | <u>1,562,802</u> | <u>1,275,277</u> |
| SCHEDULE - 9 : CASH AND BANK BALANCES | | |
| Cash Balance on hand | 1,880 | 347 |
| Cheques on hand | 9,121 | 146,696 |
| Bank Balance with Scheduled Banks - In Current Account | 11,193 | 3,885 |
| TOTAL | <u>22,194</u> | <u>150,928</u> |

| | As At 31st December 2004 (Rs. '000) | As At 31st March 2004 (Rs. '000) |
|---|--|---|
| SCHEDULE - 10 : LOANS AND ADVANCES (Unsecured, Considered Good) | | |
| Advances recoverable in cash or in kind or for value to be received | 125,744 | 117,770 |
| Balances with Excise, Customs etc. | 7,885 | 13,659 |
| Loans and Advances to Employees | 3,404 | 2,855 |
| Advance Income Tax, including tax deducted at source (net of provisions) | 144,684 | 155,043 |
| Sundry Deposits | 48,476 | 49,114 |
| TOTAL | 330,193 | 338,441 |
| SCHEDULE - 11 : CURRENT LIABILITIES AND PROVISIONS | | |
| Current Liabilities : | | |
| Acceptances | 40,499 | 1,666 |
| Sundry Creditors | | |
| - SSI Units (Refer note 4 (b) of Schedule 18) | 3,979 | 2,314 |
| - Others | 727,200 | 646,354 |
| Advance against Orders | 99,459 | 95,782 |
| Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956, not due | | |
| - Unclaimed Dividend | 1,130 | 998 |
| Other Liabilities | 123,708 | 89,900 |
| | 995,975 | 837,014 |
| Provisions : | | |
| Proposed Dividend | 44,208 | 70,732 |
| Dividend Distribution Tax | 5,777 | 9,063 |
| Leave Encashment | 27,504 | 24,327 |
| TOTAL | 1,073,464 | 941,136 |
| SCHEDULE - 12 : MISCELLANEOUS EXPENDITURE (To the Extent not Written off or Adjusted) (Refer Note 1(i) of Schedule 18) | | |
| Technology Cost | 12,269 | 21,045 |
| Less: Amortisation | 6,414 | 8,776 |
| TOTAL | 5,855 | 12,269 |

| | For the period ended 31st December 2004 (Rs. '000) | For the year ended 31st March 2004 (Rs. '000) |
|--|---|--|
| SCHEDULE - 13 : SALES | | |
| Products and Jobs | 2,352,120 | 2,854,840 |
| Services rendered | 533,470 | 569,528 |
| TOTAL | <u>2,885,590</u> | <u>3,424,368</u> |
| SCHEDULE - 14 : OTHER INCOME | | |
| Interest - Gross (Tax Deducted at Source - Nil; Previous year - 296 TINR) | 5,658 | 2,391 |
| Provisions no longer required written back | 2,132 | 10,497 |
| Sundry Credit balances written back | 9,598 | 36,984 |
| Refund of Taxes & Duties | 1,557 | — |
| Others | 33 | 1,327 |
| TOTAL | <u>18,978</u> | <u>51,199</u> |
| SCHEDULE - 15 : MATERIAL AND MANUFACTURING EXPENSES | | |
| Raw Materials, Components & Services consumed : | | |
| Opening Stock | 207,807 | 220,371 |
| Add : Purchases | 1,701,841 | 1,881,631 |
| | <u>1,909,648</u> | 2,102,002 |
| Less : Closing Stock | 280,236 | 207,807 |
| Raw Materials, Components & Services consumed | 1,629,412 | 1,894,195 |
| Estimated future loss on incomplete contracts (In excess of estimated final contract revenue) | 26,876 | 38,515 |
| (Increase)/Decrease in Work-in-Progress | | |
| Opening Work-in-Progress | 44,491 | 65,683 |
| Less : Closing Work-in-Progress | 99,830 | 44,491 |
| | <u>(55,339)</u> | 21,192 |
| (Increase)/Decrease in Finished Goods | | |
| Opening Stock | 7,259 | 3,282 |
| Less : Closing Stock | 12,650 | 7,259 |
| | <u>(5,391)</u> | (3,977) |
| Excise Duty Expense | 2,226 | 3,041 |
| Power and Fuel | 12,010 | 13,801 |
| Other Manufacturing Expenses | 1,213 | 2,153 |
| Repairs and Maintenance | | |
| - Buildings | 3,221 | 245 |
| - Plant and Machinery | 10,475 | 10,832 |
| - Others | 1,293 | 1,075 |
| | <u>14,989</u> | 12,152 |
| TOTAL | <u>1,625,996</u> | <u>1,981,072</u> |

| | For the period ended 31st December 2004 (Rs. '000) | For the year ended 31st March 2004 (Rs. '000) |
|---|---|--|
| SCHEDULE - 16 : EMPLOYEES' REMUNERATION AND BENEFITS | | |
| Salaries, Wages, Bonus and Allowances | 404,524 | 408,766 |
| Company's Contribution to Provident Fund and Other Funds | 22,280 | 28,156 |
| Gratuity | 13,851 | 5,234 |
| Welfare Expenses | 28,752 | 34,670 |
| TOTAL | <u>469,407</u> | <u>476,826</u> |
| SCHEDULE - 17 : SELLING, ADMINISTRATION AND OTHER EXPENSES | | |
| Rent | 44,100 | 52,979 |
| Rates and Taxes | 1,813 | 3,260 |
| Advertisement | 2,011 | 1,064 |
| Sales Promotion, Seminars & Exhibitions | 10,687 | 6,233 |
| Freight & Octroi Outward | 17,545 | 24,606 |
| Royalty | 1,033 | 182 |
| Training | 9,106 | 11,532 |
| Membership & Subscription | 2,004 | 1,932 |
| Professional Charges | 22,401 | 17,178 |
| Travelling | 232,636 | 262,021 |
| Remuneration to Auditors : | | |
| Statutory Audit | 441 | 378 |
| Tax Audit | 165 | 108 |
| Certification & Others | 182 | 270 |
| Out of pocket expenses | 28 | 54 |
| TOTAL | <u>816</u> | <u>810</u> |
| Insurance | 9,372 | 13,084 |
| Communication Expenses | 25,729 | 29,109 |
| Bad Debts Written off | 4,789 | 26,514 |
| Increase in provision for doubtful debts | 109,885 | 33,743 |
| Provision for Diminution in Value of Investment | — | 2,500 |
| Loss on Sale of Assets | 4,479 | 1,498 |
| Sales Commission | 10,895 | 8,896 |
| Bank and other Finance Charges | 7,999 | 11,868 |
| Other Expenses | 58,676 | 56,946 |
| TOTAL | <u>575,976</u> | <u>565,955</u> |

SCHEDULE - 18 : NOTES TO THE ACCOUNTS**1. Significant Accounting Policies :****a) Basis of Accounting :**

The financial statements are prepared under historical cost convention on an accrual basis and comply with the Accounting Standards (AS) issued by The Institute of Chartered Accountants of India (ICAI), referred to in Section 211 (3C) of the Companies Act, 1956.

b) Revenue Recognition :

(i) In respect of project contracts, the Company recognises revenue on the Percentage of Completion basis AS-7-Accounting for Construction Contracts issued by the ICAI, based on billing milestones reached.

Income from contractual claims is recognised on raising of the claim. However, consequential liability to excise duty, if any, is provided for and corresponding revenue against excise duty is accounted for only on settlement of the claim.

Income from non-contractual claims is recognised only on acceptance of the claim by the customer.

(ii) Revenue from sales of products and services are recognised when significant risks and rewards of ownership of products are passed on to the customer or when the service is provided.

c) Inventory Valuation :

Raw material, spares and components are valued at cost on a moving weighted average basis.

Work-in-Progress and finished goods are valued at lower of cost or net realisable value and includes material cost and cost of conversion.

Goods-in-transit are valued at cost. In respect of goods undergoing customs clearance, no provision is made for the custom duty liability. However, this practice does not have any impact on the results for any period.

Provision is made in respect of obsolete & certain non-moving items.

d) Foreign Currency Transactions :

Transactions in foreign currency are recorded in the books by applying the fortnightly average exchange rates and monthly average exchange rates for imports and exports respectively.

All foreign currency assets and liabilities, except those covered by forward contracts are restated at the exchange rate prevailing as at period/year end and the exchange difference so arising is recognized in the Profit & Loss Account, except in the case of assets and liabilities covered by forward contracts, where the exchange difference is recognised over the life of the contract.

e) Fixed Assets :

Fixed Assets are stated at cost including expenses incidental to acquisition and installation, less CENVAT credit and accumulated depreciation.

f) Depreciation :

Depreciation is provided on the straight-line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However, for certain types of assets, depreciation is being charged as under :

| | Assets acquired upto 31.3.1999 | Assets acquired after 31.3.1999 |
|---------------------------------------|--------------------------------|---------------------------------|
| Plant & Machinery (Indigenous) | 5 to 13 Years | 10 Years |
| Plant & Machinery (Imported) | 7 to 14 Years | 10 Years |
| Plant & Machinery (Networking System) | 7 to 9 Years | 7 Years |
| Demo Equipment | 4 to 6 Years | 4 Years |
| Computers | 3 to 6 Years | 3 Years |

- Product distribution rights - SAARC, HSPL & Oracle License Fees are amortised over a period of 10 years and the amount so amortised is included in depreciation.
- Total Asset Management (TAM) assets are depreciated over the life of the respective contracts, or 7 years, whichever is earlier.
- Assets installed under the rental scheme of the Total Security Solution Business are depreciated over a period of 3 years.
- Software purchased for facilitating order execution is depreciated over a period of 3 years.
- Software developed for Custody Transfer System is depreciated over a period of 6 years.
- Mobile handsets are depreciated over a period of 3 years.
- Hard Furnishings provided to employees are depreciated over a period of 4 years.

Where the useful life of an asset is ascertained to be lower than was previously determined, the carrying value of the asset is depreciated over the revised residual life of the asset.

g) Impairment of Assets:

Impairment is recognised to the extent that the recoverable amount of an asset is less than its carrying amount and is charged to the Profit & Loss Account as prescribed by the ICAI in AS-28 Impairment of Assets.

h) Investments :

Long term investments are carried at cost. Provision, if any, for permanent diminution in the value is adjusted to the carrying value.

- i) **Miscellaneous Expenditure :**
In respect of costs incurred prior to April 1, 2003:
- Technology cost, comprising know-how and documentation fees, is amortised over a period of 6 years.
 - Implementation Fee for commissioning of Oracle Business Application is amortised over a period of 36 months, commencing from the month of implementation.
 - New Product Implementation training fee is amortised over a period of 72 months, commencing from the month of implementation.
 - Costs incurred on development of new markets for sale of products and services are amortised over a period of 3 years.
- All such costs incurred on or after April 1, 2003 are charged to the Profit and Loss Account in the year in which they are incurred.
- j) **Warranties :**
Anticipated product warranty costs are provided in the accounts in the year of sale.
- k) **Employee Retirement Benefits :**
- i) Provision for Gratuity is made pursuant to a gratuity policy obtained under the Life Insurance Corporation of India's (LIC) Employees Group Gratuity - Cum Life Assurance Scheme and premium is funded based on the valuation by a certified actuary.
 - ii) Company's contribution towards the Group Superannuation Scheme of the LIC is based on the premium demanded by it.
 - iii) Provision for Leave Encashment is made on the basis of an actuarial valuation.
 - iv) Company's contribution to Provident Fund is charged to the Profit and Loss Account.
- l) **Prior period expenses/income :**
The Company follows the practice of making adjustments through "Prior period adjustments" in respect of all material transactions accounted during the year but relating to an earlier accounting year.
- m) **Provision for Future Losses on Incomplete Contracts :**
Provision is made, based on an estimate, for future losses on incomplete contracts, to the extent that the costs are in excess of the balance contract revenues.
- n) **Lease Accounting :**
- i) In respect of finance lease agreements entered into by the Company on or after April 01, 2001, as a lessee, the assets taken on lease are capitalised and depreciated in accordance with the requirements of AS – 19 'Leases'. In respect of lease agreements entered into prior to April 1, 2001, the lease rentals paid are debited to the Profit and Loss Account, as permitted by the Standard.
 - ii) In respect of operating lease agreements entered into by the Company as a lessor, the initial direct costs are recognised as an expense in the year in which they are incurred.
- o) **Deferred Income Taxes :**
Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue & expenses arise. The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of the respective carrying values at each balance sheet date.
2. The name of the Company has been changed from Tata Honeywell Limited to Honeywell Automation India Limited pursuant to the acquisition by Honeywell Asia Pacific Inc. of the equity shares of the Company held by Tata Group Companies.
3. **Disclosures under Accounting Standards :**
- i) **Impairment of Assets : Accounting Standard 28**
Consequent upon AS 28 - Impairment of Assets - being made mandatory by the ICAI with effect from April 1, 2004, the Company has carried out an exercise to ascertain the impairment, if any, in the carrying values of its fixed assets. The exercise has revealed impairment in the Product Distribution Rights - SAARC as at April 1, 2004 to the extent of Rs. 34,169 thousand, which amount in terms of the said standard has been adjusted against the General Reserve as at April 1, 2004. There are no incremental impairments during the period.
 - ii) Depreciation for the year Rs.102,327 thousand as reflected in Schedule 5 includes Rs. 34,169 thousand, being the impairment suffered by Product Distribution Rights - SAARC as at April 1, 2004, which has been adjusted against the General Reserve as at April 1, 2004, as mentioned in (i) above.
 - iii) **Segment Reporting : Accounting Standard 17.**
The business segment has been considered as the primary segment and the geographical segment has been considered as the secondary segment. Automation & Control being the only business segment, necessary information has already been given in the Balance Sheet and Profit and Loss Account. The Company has two geographical segments, viz. Domestic and Exports. Revenue from geographical segments based on location of customers is – Domestic: Rs. 2,245,798 thousand (Previous Year: Rs.2,634,497 thousand) and Exports: Rs. 639,792 thousand (Previous Year: Rs.789,871 thousand) Total Rs. 2,885,590 thousand. (Previous Year: Rs. 3,424,368 thousand).

No disclosure has been made in respect of the carrying amount of segment assets and cost incurred during the period to acquire segment assets by geographical location of assets, as, in the case of the Exports segment, the amounts involved are less than 10% of the total amount involved under the respective reportable heads.

iv) **Related Party Transactions : Accounting Standard 18**

The list of Company's related parties in terms of AS-18 is as follows :

| Party | Relationship |
|---|---|
| Tata Industries Ltd. | Joint Venture Partner in the Company upto 2 nd November, 2004 |
| Honeywell International Inc. | Joint Venture Partner in the Company upto 2 nd November, 2004 & 100% Holding Company of Honeywell Asia Pacific Inc., which in turn holds 81.24% of the paid-up share capital of the Company. |
| Honeywell Asia-Pacific Inc. | Equity Shareholding of 40.62% upto 2 nd November, 2004 and 81.24% with effect from 2 nd November, 2004 |
| Central Monitoring Services (I) Pvt. Ltd. | 50:50 Joint Venture with Group 4 Securitas |
| Mr. Vinayak Deshpande | Managing Director - upto 20 th December, 2004 |
| Mr. Harshavardhan Chitale | Managing Director (Designate) from 19 th November, 2004 to 20 th December, 2004 Managing Director with effect from 21 st December, 2004 |
| Mr. Vimal Kapur | Executive Director with effect from 19 th November, 2004 |
| Honeywell Limited, Australia Honeywell S.A., Belgium Honeywell ASCA Inc., Canada Honeywell Limited, Canada Honeywell (Tianjin) Limited, China Xian System Sensor Electronics Ltd., China Honeywell OY, Finland Honeywell France Honeywell GmbH, Germany Honeywell Limited, Hong Kong Ademco Asia Pacific Limited Satronic Kft., Hungary Honeywell-Measurex (Ireland) Limited Honeywell S.P.A., Italy Honeywell U.G.V. S.r.l. Pittway Tecnologica S.P.A. Honeywell Safety Management Systems B.V., Netherlands Honeywell Pte. Ltd., Singapore Honeywell Co., Ltd., South Korea Satronic AG, Switzerland Honeywell Taiwan Limited Honeywell-Measurex Olcum Aletleri Ltd., Turkey Honeywell Control Systems Limited, UK KAC Alarm Company Limited Morley Electronics Fire Systems Limited, UK Elmwood Sensors Ltd., UK Honeywell International India Ltd. Honeywell Technology Solutions Lab Honeywell Austria Gesellschaft Gmbh Honeywell A/S, Denmark Honeywell-Gerds, France Honeywell K.K., Japan Honeywell Kuwait KSC Honeywell Middle East B.V. ADI of Puerto Rico, Inc. Honeywell S.A. PTY Limited Honeywell Singapore Safety Mgmt Systems Honeywell Szabalyozastechnikai KFT, Hungary | Fellow Subsidiaries with effect from 2 nd November, 2004 |

The Company's related party transactions in terms of AS-18 are as under :

| Party | Nature of Transactions |
|---|--|
| Tata Industries Ltd. | Dividend for the Financial year 2003-04 paid, Rs. 7,800 thousand. |
| Honeywell International Inc. | Sales Rs. 151,677 thousand. Amount Receivable as on 31 st December, 2004 Rs. 43,347 thousand. Purchases Rs. 274,502 thousand. Amount Payable as on 31 st December, 2004 Rs. 42,142 thousand. |
| Honeywell Asia-Pacific Inc. | Dividend for the Financial year 2003-04 paid, Rs. 28,730 thousand. |
| Central Monitoring Services (I) Pvt. Ltd. | Sales Rs. 20 thousand Amount Receivable as on 31 st December, 2004 Rs. 254 thousand Purchases Rs. 31 thousand. Amount Payable as on 31 st December, 2004 Rs. 261 thousand. |
| Mr. Vinayak Deshpande | Remuneration, which includes basic, ex-gratia, allowances and perquisites: Rs. 2,153 thousand. Commission on profit Rs. 2,000 thousand. Deposit Rs. 500 thousand and Rent Rs. 622 thousand paid to his father, Mr. K.M. Deshpande. |
| Mr. Harshavardhan Chitale* | Remuneration, which includes basic, ex-gratia, allowances and perquisites: Rs. 233 thousand. |
| Mr. Vimal Kapur* | Remuneration, which includes basic, ex-gratia, allowances and perquisites: Rs. 252 thousand. |
| Fellow Subsidiaries** | Sales Rs. 103,443 thousand. Amount Receivable as on 31 st December, 2004 Rs. 168,627 thousand. Purchases Rs. 40,062 thousand. Amount Payable as on 31 st December, 2004 Rs. 57,917 thousand. |

* Appointed as Director w.e.f. 19th November 2004

** Related parties w.e.f. 2nd November 2004

v) **Lease Transactions : Accounting Standard 19**

As a Lessee in a Finance Lease :

(Rs. '000)

| | | |
|--|---|--------|
| a) Minimum lease rental payable as on Balance Sheet date | : | 10,073 |
| Present value of Minimum lease rental payable at discounted rate implicit in lease agreement | : | 8,835 |
| Finance Charges payable | : | 1,472 |

b)

| Particulars | Minimum lease payment (on quarterly basis) Amount (Rs.'000) | Present value of Minimum lease payment at discounted rate implicit in lease agreement on quarterly basis Amount (Rs.'000) |
|---|---|--|
| Not later than one year | 4,232 | 4,060 |
| Later than one year but not later than five years | 5,841 | 4,775 |
| Later than five years | NIL | NIL |
| TOTAL | 10,073 | 8,835 |

As a Lessor in an Operating Lease

The existing operating lease agreements permit the lessee to cancel the arrangement before expiry of the normal tenure of the lease. As such, no disclosures are required to be made.

vi) **Earnings Per Share (EPS) - Accounting Standard 20**

EPS is calculated by dividing the profit attributable to the equity shareholders by the average number of shares outstanding during the year. The basic and diluted earnings per share has been calculated as under :

| | For the period ended 31 st December 2004 | For the year ended 31 st March 2004 |
|--|--|---|
| Profit / (Loss) after tax (Rs. '000) | 84,921 | 252,549 |
| Weighted Average number of Equity Shares | 8,841,523 | 8,841,523 |
| EPS (Rs.) - (Not Annualised) | 9.60 | 28.56 |
| Face Value per share (Rs.) | 10.00 | 10.00 |

| vii) Deferred Taxation - Accounting Standard 22 | | As at 31st December, 2004 (Rs. '000) | As at 31st March, 2004 (Rs. '000) |
|--|---|--|---|
| Composition | | | |
| b) Deferred Tax Assets | | | |
| Finance Lease Assets | | 291 | 138 |
| Royalty | | 22 | 65 |
| Provision for Doubtful Debts | | 54,590 | 14,621 |
| Cost to Complete | | 25,291 | 15,153 |
| Provision for Leave Encashment | | 7,790 | 5,461 |
| | | <u>87,984</u> | <u>35,438</u> |
| c) Deferred Tax Liability | | | |
| Depreciation and Amortisation | | 34,867 | 49,455 |
| Net Deferred Tax Asset / (Liability) | | <u>53,117</u> | <u>(14,017)</u> |
| 4. a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for - Rs. 49,406 thousand (Previous Year Rs. 105,345 thousand). | | | |
| b) There are no Small scale industrial undertakings to whom amounts are due for more than thirty days (Previous Year Rs. NIL). | | | |
| 5. a) The cash credit/working capital term loans from Banks including foreign currency loans, for working capital, are secured by hypothecation of present and future stocks of raw materials, semi- finished goods, finished goods, stores and spares and book debts. | | | |
| b) The Company has availed of the deferment of sales tax liabilities in terms of the Package Scheme of Incentives (1987) of the Government of Maharashtra. The sales tax liability of Rs. 71,649 thousand, deferred and classified under unsecured loans is repayable, in respect of each year's collection, in six equal annual installments commencing from the year 2002-03. The Company has availed of a further deferment of Sales Tax collected, under the Package Scheme of Incentives, 1993, of the Government of Maharashtra. The Sales Tax liability of Rs. 62,146 thousand, deferred and classified under unsecured loans, is repayable in five equal annual installments, commencing from the year 2011-2012. | | | |
| 6. a) No provision for foreign taxes has been made in the accounts, since the Company is of the opinion that it is not liable for any such taxes. | | | |
| b) Provision for taxation has been made after considering the various allowances/deductions available and after excluding profits derived from an undertaking registered with Software Technology Parks of India under section 10A of the Income Tax Act, 1961. | | | |
| 7. Interest includes interest on Working Capital Demand Loans & Cash Credit. | | | |
| 8. Other Expenses (Schedule 17 – Selling, Administration and other expenses) includes Rs.5,121 thousand (Previous Year Rs. 6,842 thousand), being Foreign Exchange net gain. | | | |
| 9. While effecting payments to the Company for supplies/services, its customers have not yet paid amounts aggregating to Rs. 16,021 thousand (Previous Year Rs.12,342 thousand), towards late delivery in terms of customer interpretations of contractual provisions. The Company is making necessary representations to each customer and expects to be successful in obtaining release of these amounts. | | | |
| 10. Contingent Liabilities : | | | |
| a) Income tax claims against which the Company is in appeal | - | Rs. 49,563 thousand (Previous Year Rs. 95,956 thousand) | |
| b) Excise duty claims against which the Company is in appeal | - | Rs. 15,095 thousand (Previous Year Rs. 13,745 thousand) | |
| c) Octroi claims not acknowledged by Pune Municipal Corporation | - | Rs. NIL (Previous Year Rs. 925 thousand) | |
| d) Sales Tax refund/claims against which the Company is in appeal | - | Rs. 28,802 thousand (Previous Year Rs. 28,296 thousand) | |
| e) Customs Duty claims against which the Company is in appeal | - | Rs. 3,423 thousand (Previous Year Rs. 3,423 thousand) | |
| f) Bank Guarantees given to customers against performance/advance (Refer note 11) | - | Rs. 932,560 thousand (Previous Year Rs. 897,933 thousand) | |
| 11. The Bank Guarantees issued are secured by hypothecation of present and future stocks of raw materials, semi- finished goods, finished goods, stores and spares and book debts. | | | |

12. Managerial Remuneration paid/provided during the year :

| | For the period ended 31st December 2004 (Rs. '000) | For the year ended 31st March 2004 (Rs. '000) |
|---|---|--|
| Salaries & Allowances | 2,021 | 1,794 |
| Perquisites | 256 | 352 |
| Contribution to Provident & Superannuation Fund | 361 | 324 |
| Commission on Profits | | |
| - Executive Directors | 2,000 | 2,000 |
| - Non-Executive Directors | 1,811 | 2,321 |
| Total | 6,449 | 6,791 |

Note : The above does not include gratuity contribution made under a group gratuity policy of the Company with LIC, as the amount is not available separately.

13. Details of Licensed capacity, Installed capacity and Production :

| | | | |
|---|---|-------------|--|
| a) Class of Goods | Complete Process Control and Management Systems and their Component Elements | | |
| b) Licensed Capacity | | | |
| As at 31st December 2004 | 240 Systems | | |
| As at 31st March 2004 | 240 Systems | | |
| c) Installed Capacity | Not quantifiable as the size/mix of the system varies according to customers' requirements. | | |
| d) Production | Systems | Instruments | |
| For the period ended 31st December 2004 | 73 | 1,810 | |
| For the year ended 31st March 2004 | 51 | 1,726 | |

14. Details of Raw Materials Consumed :

| Description | No. | For the period ended 31st December 2004 (Rs. '000) | No. | For the year ended 31st March 2004 (Rs. '000) |
|-----------------------------------|-----|---|-----|--|
| Components for System Integration | Lot | 1,629,412 | Lot | 1,894,195 |
| Total | | 1,629,412 | | 1,894,195 |

15. Details of Sales :

| Description | Qty. | For the period ended 31st December 2004 (Rs. '000) | Qty. | For the year ended 31st March 2004 (Rs. '000) |
|---------------------------------------|------|---|------|--|
| Process Control Systems & Instruments | Lot | 2,352,120 | Lot | 2,854,840 |
| Services | | 533,470 | | 569,528 |
| Total | | 2,885,590 | | 3,424,368 |

16. Details of imported and indigenous components, stores and spare parts consumed and percentage of each, to total consumption:

| Description | (%) | For the period ended 31st December 2004 (Rs. '000) | (%) | For the year ended 31st March 2004 (Rs. '000) |
|---------------|------------|---|------------|--|
| a) Imported | 57 | 921,441 | 59 | 1,111,677 |
| b) Indigenous | 43 | 707,971 | 41 | 782,518 |
| Total | 100 | 1,629,412 | 100 | 1,894,195 |

17. CIF Value of Imports :

| Description | For the period ended 31st December 2004 (Rs. '000) | For the year ended 31st March 2004 (Rs. '000) |
|------------------|---|--|
| a) Capital Goods | 35,269 | 17,946 |
| b) Raw Materials | 821,041 | 897,406 |

18. Expenditure in Foreign Currency :

| Description | For the period ended 31st December 2004 (Rs. '000) | For the year ended 31st March 2004 (Rs. '000) |
|---------------------------|---|--|
| a) Royalty (Net of Taxes) | 836 | 148 |
| b) Others | 134,272 | 150,442 |

19. Dividend remitted during the period to non-resident Shareholders :

| Description | During the period ended 31st December 2004 (Rs. '000) | During the year ended 31st March 2004 (Rs. '000) |
|-----------------------------------|--|---|
| Amount of Dividend (Net of Taxes) | 28,810 | 21,582 |
| Pertaining to financial year | 2003-04 | 2002-03 |
| No. of non-resident shareholders | 38 | 29 |
| No. of shares held | 3,601,243 | 3,596,997 |

20. Earnings in Foreign Currency :

| | For the period ended 31st December 2004 (Rs. '000) | For the year ended 31st March 2004 (Rs. '000) |
|----------------------|---|--|
| FOB Value of Exports | 96,615 | 186,165 |
| Deemed Exports | 111,643 | 244,329 |
| Services | 432,540 | 474,689 |
| Reimbursements | 110,637 | 129,017 |
| Total | 751,435 | 1,034,200 |

21. Previous year's figures have been regrouped wherever necessary.

22. The current financial statements having been prepared for 9 months, figures are not comparable with those of the previous year.

As per our report of even date attached
For N.M. Raiji & Co.
Chartered Accountants

John O'Higgins

Chairman

Harshavardhan Chitale

Managing Director

Vinay Balse
(Partner)
Membership No.39434
Mumbai, February 23, 2005

Sneha Padve

Company Secretary

Pune, February 23, 2005

**Cash Flow Statement
for the period ended
31st December, 2004**

Honeywell Automation India Ltd.
Annual Report 2004

| Particulars | Period ended December 31, 2004 (Rs. '000) | Year ended March 31, 2004 (Rs. '000) |
|---|---|--|
| A. Cash flow from operating activities | | |
| Net profit before tax | 64,350 | 200,875 |
| Adjusted for | | |
| Depreciation | 68,158 | 83,231 |
| Interest charged | 18,110 | 37,397 |
| Interest earned | (5,658) | (2,391) |
| Loss on sale of assets | 4,479 | 1,498 |
| Amortisation of miscellaneous expenditure | 6,414 | 8,776 |
| Write-down of Investment | 0 | 2,500 |
| Unrealised Exchange (Gain)/Loss (net) on restatement of foreign currency assets and liabilities | (4,400) | (3,060) |
| Operating profit before working capital changes | <u>151,453</u> | <u>328,826</u> |
| Changes in | | |
| Trade & other receivables | (294,373) | 82,870 |
| Inventories | (148,306) | 53,751 |
| Trade & other payables | 158,052 | 27,959 |
| Cash generated from operations | <u>(133,174)</u> | <u>493,406</u> |
| Interest paid | (17,555) | (37,473) |
| Direct taxes paid | (23,946) | (31,629) |
| NET CASH FROM OPERATING ACTIVITIES | <u>(174,675)</u> | <u>424,304</u> |
| B. Cash flow from investing activities | | |
| Purchases of fixed assets | (114,566) | (162,202) |
| Sale of fixed assets | 70 | 1,824 |
| Interest Received | 8,361 | 2,391 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(106,135)</u> | <u>(157,987)</u> |
| C. Cash flow from financing activities | | |
| Borrowings (net of repayments) | 231,739 | (144,123) |
| Dividend paid | (79,663) | (59,748) |
| NET CASH USED IN FINANCING ACTIVITIES | <u>152,076</u> | <u>(203,871)</u> |
| NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) | <u>(128,734)</u> | <u>62,446</u> |
| CASH & CASH EQUIVALENTS - OPENING BALANCE | 150,928 | 88,482 |
| CASH & CASH EQUIVALENTS - CLOSING BALANCE | 22,194 | 150,928 |

For and on behalf of the Board

Pune, February 23, 2005

Company Secretary

Chairman

Managing Director

Auditors' Certificate

We have verified the above cash flow statement of Honeywell Automation India Limited derived from the audited financial statements for the period ended December 31, 2004 and for the year ended March 31, 2004 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreements with Stock Exchanges.

For N.M.Raiji & Company
Chartered Accountants

Vinay Balse
(Partner)

Membership No.39434

Mumbai, February 23, 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

| | | | | |
|---|---|---|---|---|
| 1 | 7 | 9 | 5 | 1 |
|---|---|---|---|---|

 State Code

| | |
|---|---|
| 2 | 5 |
|---|---|

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 1 | 2 |
|---|---|

| | |
|---|---|
| 0 | 4 |
|---|---|

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousand)

| | | | | | | | | | | | | | | | | | | | |
|--|-------------------|--|---|---|---|---|--|--|--|--|--|--|--|---|---|---|--|--|--|
| Public Issue | Rights Issue | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table> | | | | N | I | L | | | | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table> | | | | N | I | L | | | |
| | | | N | I | L | | | | | | | | | | | | | | |
| | | | N | I | L | | | | | | | | | | | | | | |
| Bonus Issue | Private Placement | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table> | | | | N | I | L | | | | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table> | | | | N | I | L | | | |
| | | | N | I | L | | | | | | | | | | | | | | |
| | | | N | I | L | | | | | | | | | | | | | | |

III. Position of Mobilisation and Deployment of funds (Amounts in Rs. Thousand)

| | | | | | | | | | | | | | | | | | | | | | |
|--|---------------------|---|---|---|---|---|---|---|---|--|--|--|---|---|---|---|---|---|---|---|---|
| Total Liabilities | Total Assets | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>1</td><td>7</td><td>1</td><td>7</td><td>2</td><td>2</td><td>7</td></tr></table> | | | 1 | 7 | 1 | 7 | 2 | 2 | 7 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>1</td><td>7</td><td>1</td><td>7</td><td>2</td><td>2</td><td>7</td></tr></table> | | | 1 | 7 | 1 | 7 | 2 | 2 | 7 | | |
| | | 1 | 7 | 1 | 7 | 2 | 2 | 7 | | | | | | | | | | | | | |
| | | 1 | 7 | 1 | 7 | 2 | 2 | 7 | | | | | | | | | | | | | |
| Sources of Funds | | | | | | | | | | | | | | | | | | | | | |
| Paid-up Capital | Reserves & surplus | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td>8</td><td>8</td><td>4</td><td>1</td><td>5</td></tr></table> | | | | | 8 | 8 | 4 | 1 | 5 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td>9</td><td>7</td><td>1</td><td>8</td><td>5</td><td>8</td></tr></table> | | | | | 9 | 7 | 1 | 8 | 5 | 8 | |
| | | | | 8 | 8 | 4 | 1 | 5 | | | | | | | | | | | | | |
| | | | | 9 | 7 | 1 | 8 | 5 | 8 | | | | | | | | | | | | |
| Secured Loans | Unsecured Loans | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>5</td><td>2</td><td>3</td><td>1</td><td>5</td><td>9</td></tr></table> | | | | 5 | 2 | 3 | 1 | 5 | 9 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>3</td><td>3</td><td>7</td><td>9</td><td>5</td></tr></table> | | | | | 1 | 3 | 3 | 7 | 9 | 5 | |
| | | | 5 | 2 | 3 | 1 | 5 | 9 | | | | | | | | | | | | | |
| | | | | 1 | 3 | 3 | 7 | 9 | 5 | | | | | | | | | | | | |
| Application of Funds | | | | | | | | | | | | | | | | | | | | | |
| Net Fixed Assets | Investments | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>4</td><td>0</td><td>4</td><td>3</td><td>6</td><td>3</td></tr></table> | | | | 4 | 0 | 4 | 3 | 6 | 3 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>1</td><td>5</td><td>0</td><td>0</td></tr></table> | | | | | | | 1 | 5 | 0 | 0 | |
| | | | 4 | 0 | 4 | 3 | 6 | 3 | | | | | | | | | | | | | |
| | | | | | | 1 | 5 | 0 | 0 | | | | | | | | | | | | |
| Net Current Assets | Misc. Expenditure | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>1</td><td>2</td><td>5</td><td>2</td><td>3</td><td>9</td><td>2</td></tr></table> | | | | 1 | 2 | 5 | 2 | 3 | 9 | 2 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>5</td><td>8</td><td>5</td><td>5</td></tr></table> | | | | | | | 5 | 8 | 5 | 5 |
| | | | 1 | 2 | 5 | 2 | 3 | 9 | 2 | | | | | | | | | | | | |
| | | | | | | 5 | 8 | 5 | 5 | | | | | | | | | | | | |
| Accumulated Losses | Deferrred Tax Asset | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table> | | | | N | I | L | | | | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>5</td><td>3</td><td>1</td><td>1</td><td>7</td></tr></table> | | | | | | | 5 | 3 | 1 | 1 | 7 |
| | | | N | I | L | | | | | | | | | | | | | | | | |
| | | | | | | 5 | 3 | 1 | 1 | 7 | | | | | | | | | | | |

IV. Performance of Company (Amount in Rs. Thousands)

| | | | | | | | | | | | | | | | | | | | | |
|--|---------------------------|---|---|---|---|---|---|---|--|--|--|--|---|---|---|---|---|---|---|---|
| Turnover | Total Expenditure | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>2</td><td>8</td><td>2</td><td>8</td><td>4</td><td>1</td><td>1</td></tr></table> | | | 2 | 8 | 2 | 8 | 4 | 1 | 1 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>2</td><td>7</td><td>6</td><td>4</td><td>0</td><td>6</td><td>1</td></tr></table> | | | 2 | 7 | 6 | 4 | 0 | 6 | 1 | |
| | | 2 | 8 | 2 | 8 | 4 | 1 | 1 | | | | | | | | | | | | |
| | | 2 | 7 | 6 | 4 | 0 | 6 | 1 | | | | | | | | | | | | |
| + - Profit/Loss Before Tax | + - Profit/Loss After Tax | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td>+</td><td> </td><td> </td><td>6</td><td>4</td><td>3</td><td>5</td><td>0</td></tr></table> | + | | | 6 | 4 | 3 | 5 | 0 | <table border="1" style="width: 100%;"><tr><td>+</td><td> </td><td> </td><td>8</td><td>4</td><td>9</td><td>2</td><td>1</td></tr></table> | + | | | 8 | 4 | 9 | 2 | 1 | | | |
| + | | | 6 | 4 | 3 | 5 | 0 | | | | | | | | | | | | | |
| + | | | 8 | 4 | 9 | 2 | 1 | | | | | | | | | | | | | |
| (Please tick appropriate box + for profit - for loss) | | | | | | | | | | | | | | | | | | | | |
| Earning per share in Rs. | Dividend (in %) - Equity | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>9</td><td>.</td><td>6</td><td>0</td></tr></table> | | | | | | 9 | . | 6 | 0 | <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>5</td><td>0</td><td>.</td><td>0</td><td>0</td></tr></table> | | | | | | 5 | 0 | . | 0 | 0 |
| | | | | | 9 | . | 6 | 0 | | | | | | | | | | | | |
| | | | | | 5 | 0 | . | 0 | 0 | | | | | | | | | | | |

Company's Philosophy on the Code of Governance

The year 2004 has been one of change for your Company as the joint venture between the Tata's and Honeywell ended when Honeywell Asia Pacific Inc. purchased the entire stake of the Tata Group amounting to 40.62% of the total share capital and the transaction was completed on 2nd November 2004. Consequent to this change, the Company held an Extra-ordinary General Meeting on 9th December 2004 and the shareholders approved of the change in name of the Company to Honeywell Automation India Limited. The Board of Directors of the Company have taken a decision to change the financial year to end on 31st December every year and this year the annual accounts have been closed on 31st December 2004. This action has been taken in order to integrate with the financial reporting of Honeywell. The Company continues to have Independent Directors on the Board who will actively be involved in all the important policy matters. Your Company has put in its best efforts to ensure that it follows the Code of Corporate Governance not only in letter but also in spirit to ensure transparency, accountability and integrity and will continue to do so in future.

Board of Directors

Composition:

The Board comprises of 2 Directors nominated by Honeywell, 2 Independent Directors, 1 Alternate Director, an Executive Director and a Managing Director. The Company has a Non-Executive Chairman and one-third of the total number of Directors are Independent Directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees [as per Clause 49(IV)(B)] across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions occupied by them in other companies.

The Board met five times on the following dates during the nine months ended 31st December 2004 and the gap between two meetings did not exceed four months:

| | | |
|-------------------------------|-------------------------------|----------------------------|
| 13 th April 2004 | 26 th May 2004 | 20 th July 2004 |
| 21 st October 2004 | 9 th December 2004 | |

As required by Annexure 1 to Clause 49 of the Listing Agreement with the Stock Exchanges, all the necessary information was placed before the Board from time to time.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee positions as held by them in other public limited companies as on December 31, 2004 are given below:

| Name | Category | No. of Board Meetings attended during Apr-Dec 2004 | Attendance at the last AGM held on July 20, 2004 | No. of Directorships in other public limited companies | No. of Committee positions held in other public limited companies | |
|--|--|--|--|--|---|--------|
| | | | | | Chairman | Member |
| Mr. John O'Higgins (Chairman) | Promoter Not Independent Non-Executive | 4 | Yes | Nil | Nil | Nil |
| Mr. K.C. Lim (Vice-Chairman) | Promoter Not Independent Non-Executive | 4 | Yes | Nil | Nil | Nil |
| Mr. Harshvardhan Chitale* Managing Director | Executive Director | 1 | N/A | Nil | Nil | Nil |
| Mr. Vimal Kapur* Executive Director | Executive Director | 1 | N/A | Nil | Nil | Nil |
| Mr. M.N. Bhagwat** | Independent Non-Executive | 5 | Yes | 6 | 4 | Nil |
| Mr. S.L. Rao | Independent Non-Executive | 5 | Yes | 4 | Nil | 5 |
| Mr. Ashwani Gupta | Alternate Director to Mr. John O'Higgins | 4 | Yes | Nil | Nil | Nil |

* Mr. Harshvardhan Chitale and Mr. Vimal Kapur were appointed as Directors w.e.f. November 19, 2004.

** Mr. M.N. Bhagwat ceased to be a Promoter Director w.e.f. 2nd November 2004 and was appointed as an Independent Director.

The following Directors ceased to be Directors of the Company during the 9-month period ended 31st December 2004:

| Director who ceased to hold office and date of resignation | Category of Director | No. of Board meetings attended | Attendance at the last AGM held on July 20, 2004 |
|--|---|--------------------------------|--|
| Mr. R. Gopalakrishnan 2 nd November 2004 | Promoter Not-Independent Non-Executive Director | 4 | Yes |
| Mr. K.A. Chaukar 2 nd November 2004 | Promoter Not-Independent Non-Executive Director | 4 | Yes |
| Mr. Cyrus Guzder 2 nd November 2004 | Independent Director | 4 | Yes |
| Mr. Ram Savor 2 nd November 2004 | Independent Director | 3 | Yes |
| Mr. John Dorsey 9 th December 2004 | Alternate Director to Mr. K.C. Lim | 1 | Yes |

Audit Committee

The Committee has been re-constituted with Mr. S.L. Rao as the Chairman of the Committee and Mr. K.C. Lim and Mr. M.N. Bhagwat as the members. The members of the Committee have the relevant experience in the field of financing, banking and accounting, with Mr. K.C. Lim being a Chartered Accountant. Ms. Sneha Padve, Company Secretary acts as the Secretary to the Committee. The terms of reference of the Audit Committee as stipulated by the Board are in accordance with all the items listed in Clause 49 (II)(D) of the Listing Agreement as follows:

1. Overseeing the Company's financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services.
3. Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems and recommending improvements to the management.
5. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
6. Discussing with internal auditors of any significant findings and follow-up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussing with external auditors before the audit commences the nature and scope of audit as well as having post-audit discussions to ascertain any area of concern.
9. Reviewing the Company's financial and risk management policies.
10. Looking into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

| | |
|--------------------|--|
| Mr. M.N. Bhagwat | Chairman-Independent, Non-Executive Director |
| Mr. S.L. Rao | Member-Independent, Non-Executive Director |
| Mr. John O'Higgins | Member-Promoter, Not Independent, Non-Executive Director |

The Committee met on 13th April 2004, 9th December 2004 and 23rd February 2005, to appraise and decide the compensation payable of the Managing Director and Executive Director.

Remuneration of Directors

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval obtained at the 17th Annual General Meeting held on 30th July 2001, the commission is paid at a rate not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956. The Commission payable to the Chairman is decided by other members of the Board, keeping in mind the greater contribution made by the Chairman.

A Sitting Fee of Rs. 10,000/- per Board, Audit Committee and Committee of Directors Meeting and Rs. 5,000/- for Remuneration Committee and Investor Grievance Committee Meetings attended is paid to the Non-Executive Directors.

The Company pays remuneration to its Managing and Executive Director by way of salary, perquisites and allowances (a fixed component) and commission (a variable component). Salary is paid within the range approved by the Shareholders. The Board on the recommendations of the Remuneration Committee approves the annual increments (effective 1st April each year). The Board fixes a ceiling on perquisites and allowances as a percentage of salary. Commission is calculated with reference to the net profit of the Company in a particular financial period and is determined by the Board of Directors at the end of the financial period based on the recommendations of the Remuneration Committee, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956.

Given below are the details of Remuneration paid to Non-Executive Directors for the period April 2004 to December 2004 for attending Board Meetings and various Board constituted Committee Meetings.

Non-Executive Directors :

| Director | Sitting Fees | Commission |
|-----------------------|--------------|--------------|
| Mr. R. Gopalakrishnan | Rs. 50,000 | Rs. 2,58,490 |
| Mr. M.N. Bhagwat | Rs. 55,000 | Rs. 1,99,486 |
| Mr. K.A. Chaukar | Rs. 75,000 | Rs. 1,88,490 |
| Mr. J. O'Higgins | Rs. 10,000 | Rs. 1,89,486 |
| Mr. K.C. Lim | Rs. 30,000 | Rs. 1,99,486 |
| Mr. Ashwani Gupta | Rs. 20,000 | Rs. 1,89,486 |
| Mr. S.L. Rao | Rs. 85,000 | Rs. 2,29,486 |
| Mr. Ram Savor | Rs. 55,000 | Rs. 1,68,490 |
| Mr. Cyrus Guzder | Rs. 75,000 | Rs. 1,88,490 |

The Directors nominated by Honeywell do not accept any sitting fees or commission and the entire amount is donated by them to charitable organizations.

Managing Director (M.D.):

| Name | Salary & Allowances | Commission for the year 2004 |
|-----------------------------|---------------------|------------------------------|
| Mr. V.K. Deshpande* | 21,52,609 | 20,00,000 |
| Mr. Harshavardhan Chitale** | 2,33,439 | Nil |

* Mr. Deshpande has resigned from the services of the Company with effect from 20th December 2004.

** Mr. Harshavardhan Chitale was appointed on 19th November 2004 as the Managing Director (Designate) and he was appointed as Managing Director on 21st December 2004, subject to the approval of the shareholders in general meeting.

Period of Contract of MD : 5 years from December 21, 2004
The Contract may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.
Severance fees - Nil

Executive Director (E.D.):

| Name | Salary & Allowances | Commission for the year 2004 |
|-----------------|---------------------|------------------------------|
| Mr. Vimal Kapur | 2,51,767 | Nil |

Period of Contract of E.D. : 5 years from November 19, 2004
The Contract may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.
Severance fees - Nil

Committee of Directors :

In addition to the above Committees, the Board has constituted a Committee of Directors (COD) for all such matters as may be delegated by the Board of Directors. The COD met on 26th May 2004 during the last financial year.

Attendance at the Committee of Directors meetings during the year :

| Names of Members | No. of meetings held | No. of meetings attended |
|-----------------------|----------------------|--------------------------|
| Mr. R. Gopalakrishnan | 1 | 1 |
| Mr. K.A. Chaukar | 1 | 1 |
| Mr. Ram Savor | 1 | — |

With the change in the constitution of the Board, the Committee of Directors would be constituted afresh for every agenda delegated to it.

Details on General Meetings :

Location, date and time of General Meetings held during the last 3 years:

The last three AGMs were held on – 25.09.2002, 18.07.2003 and 20.07.2004

AGM held on 25.09.2002 was held at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai 400001 at 11.30 a.m.

AGM held on 18.07.2003 was held at the Conference Room, Training Centre, Tata Honeywell Limited, 56 & 57 Hadapsar Industrial Estate, Pune 411 013 at 3.30 p.m.

AGM held on 20.07.2004 was held at Hotel Blue Diamond, Koregaon Park, Pune 411 001 at 3.30 p.m.

EGM held on 09.12.2004 was held at Hotel Renaissance, Powai, Mumbai 400 087 at 11.30 a.m.

Whether Special Resolutions –

- | | |
|--|----|
| (a) Were put through postal ballot last year - | No |
| Details of voting pattern - | NA |
| Person who conducted the postal ballot exercise - | NA |
| (b) Are proposed to be conducted through postal ballot - | No |
| Procedure for postal ballot - | NA |

Disclosures

Related Party Transactions :

Related party transactions are defined as the transactions of the Company of a material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Among the related party transactions are, contracts or arrangements, made by the Company from time to time with Companies in which the Directors are interested. All these contracts or arrangements are entered in a Register of Contracts under Section 301 of the Companies Act, 1956 and the register is placed before every Board Meeting.

All transactions covered under the related party transactions are regularly ratified and/or approved by the Board.

There were no material transactions during the year 2004 that are prejudicial to the interest of the Company.

Statutory Compliance, Penalties and Strictures :

The Company has complied with the requirements of the Stock Exchange/SEBI/ and Statutory Authority on all matters relating to capital markets during the last three years. There are no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authorities relating to the above.

Statutory Compliance :

The Company Secretary and Chief Financial Officer of the Company act as Compliance Officers who advise the Company on compliance issues with respect to the laws of various jurisdictions in which the Company has its business activities and ensures that the Company is not in violation of laws of any jurisdiction where the Company operates. All Business Unit Heads give Compliance Certificate to the Managing Director of the Company. The Compliance Officers ensure that the business operations of the Company are not in contravention of any laws.

Means of Communication :

Half-yearly report sent to each household of shareholders: Sent for quarter ended September 30, 2004.

Quarterly Results:

Which newspapers normally published in:

Indian Express, Prabhat
www.honeywellautomationindia.com

Any website, where displayed:

Whether it also displays official news

Yes

Releases; and the presentations

Made to institutional investors/analysts

Whether MD&A is a part of Annual

Report or not:

Yes

General Shareholder Information

AGM: Date, time and venue-

April 26, 2005 at 3.30 p.m. at the Hotel Taj
Blue Diamond, 11, Koregaon Park, Pune 411 001.

As required under clause 49 VI(A), particulars of Directors seeking reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on April 26, 2005.

Financial Calendar -

| | |
|------------------|----------------|
| Year ending | December 31 |
| AGM | April 26, 2005 |
| Dividend Payment | May 10, 2005 |

Date of Book Closure -

Tuesday, April 12, 2005 to Wednesday, April 20, 2005

Dividend Payment Date -

The Dividend Warrants will be posted on May 10, 2005

Listing on Stock Exchanges

The Company's shares are listed on the following 2 Stock Exchanges in India:

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Limited
Bandra Kurla Complex, Mumbai 400 051.

The Company had paid annual listing fees to each of the above exchanges for the financial year 2004-05.

The Board of Directors has approved of a resolution to delist from the Pune Stock Exchange, subject to the approval of shareholders, as there is no trading activity on this Exchange.

Stock Code -

The Stock Exchange, Mumbai :

| | |
|---------------------------------|--------|
| Equity Shares (physical form) : | 174 |
| (demat form): | 517174 |

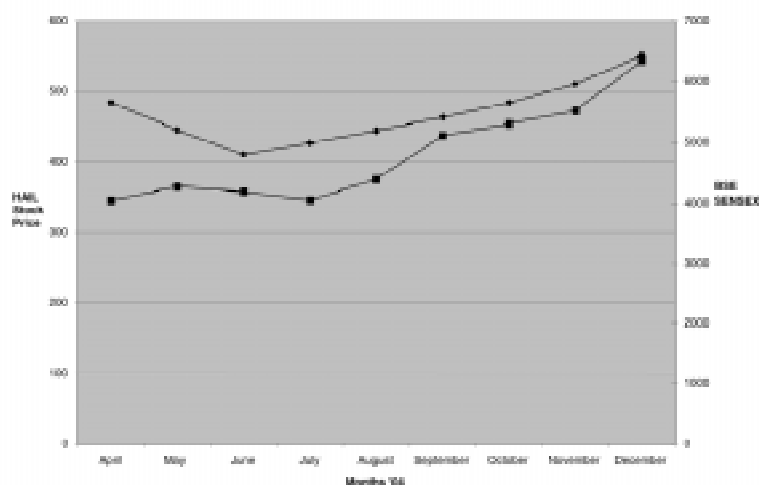
National Stock Exchange of India Limited :

The shares are traded under the short code "HONAUT".

Market Price Data : High, Low during each month in the last financial period

| Months | BSE High | BSE Low | NSE High | NSE Low |
|----------------|----------|---------|----------|---------|
| April 2004 | 390.00 | 327.95 | 390.00 | 326.95 |
| May 2004 | 402.90 | 330.00 | 419.30 | 326.00 |
| June 2004 | 387.00 | 338.00 | 400.00 | 326.10 |
| July 2004 | 369.90 | 330.00 | 399.00 | 333.35 |
| August 2004 | 410.00 | 332.70 | 425.00 | 332.00 |
| September 2004 | 484.00 | 380.00 | 484.00 | 391.90 |
| October 2004 | 500.00 | 431.00 | 500.00 | 402.10 |
| November 2004 | 519.40 | 441.10 | 550.00 | 441.10 |
| December 2004 | 678.00 | 486.00 | 690.00 | 486.80 |

Comparison of Monthly Average of BSE SENSEX v/s HAIL Stock Price



Registrar and Share Transfer Agents :

Tata Share Registry Ltd.,
Army & Navy Bldg., 148, M.G. Road,
Fort, Mumbai 400 001.
Tel.: (022) 56568484
Fax: (022) 56568494
E-mail: csg-unit@tatashare.com
Website: http://www.tatashare.com

Share Transfer System :

Share Transfers in physical form can be lodged with Tata Share Registry Ltd. at the above mentioned address or at their branch offices, addresses of which are available on their website. The Transfers are normally processed within 15 days if the documents are complete in all respects. Certain Directors and the Company Secretary are severally empowered to approve transfers. The Company also offers transfer-cum-demat facility for the convenience of the investors.

Distribution of Shareholding :

| Number of Ordinary Shares held | Number of Shares | |
|--------------------------------|------------------|----------------|
| | 31-12-2004 (%) | 31-03-2004 (%) |
| 1 to 500 | 9.81 | 10.58 |
| 501 to 1000 | 1.25 | 1.33 |
| 1001 to 2000 | 0.99 | 1.18 |
| 2001 to 3000 | 0.44 | 0.56 |
| 3001 to 4000 | 0.34 | 0.50 |
| 4001 to 5000 | 0.61 | 0.64 |
| 5001 to 10000 | 1.27 | 1.30 |
| Over 10000 | 85.29 | 83.91 |
| Total | 100.00 | 100.00 |

Categories of Shareholders :

| Category | No. of shareholders | No. of shares held |
|---------------------------------|---------------------|--------------------|
| Foreign Promoters | 1 | 7182475 |
| Non Resident Individuals | 33 | 6025 |
| Foreign Institutional Investors | 2 | 23822 |
| Financial Institutions | 1 | 100 |
| Banks | 2 | 400 |
| Mutual Funds | 4 | 63612 |
| Insurance Companies | 1 | 20000 |
| Domestic Companies | 273 | 250469 |
| Resident Individuals | 6574 | 1294620 |
| | 6981 | 8841523 |

Dematerialisation of shares and liquidity : The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. 96.47% of the Company's share capital is dematerialised as on 31.12.2004.

The Company's shares are regularly traded on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited.

Outstanding GDRs/ADRs Warrants of any Convertible Instruments, conversion date and likely impact on equity : Nil

Plant locations : N.A.

Address for correspondence : Honeywell Automation India Limited,
56 & 57, Hadapsar Industrial Estate,
Pune 411 013.
Tel: (020) 56039400
Fax: (020) 56039800
E-mail: CorpComIndia@honeywell.com
Website: www.honeywellautomationindia.com

Auditors' Report on Corporate Governance

To the Members of
HONEYWELL AUTOMATION INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by HONEYWELL AUTOMATION INDIA LIMITED, for the period ended on 31st December, 2004 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company had complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that the Registrars and Share Transfer Agents of the Company have maintained records to show the investor grievances against the Company and have certified that as on December 31, 2004, there were no investor grievance remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For N.M. Rajji & Co.
Chartered Accountants

Vinay Balse
(Partner)

Mumbai, February 23, 2005

Our Brand Promise

We are building a world that's safer and more secure...

More comfortable and energy efficient...

More innovative and productive.

We are Honeywell.

HONEYWELL AUTOMATION INDIA LIMITED

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

ATTENDANCE SLIP

I hereby record, my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company at Hotel Taj Blue Diamond, 11 Koregaon Park, Pune 411 001 at 3.30 p.m. on Tuesday, April 26, 2005.

NAME OF SHAREHOLDER/PROXY

FOLIO NO. _____

NO. OF SHARES HELD _____

SIGNATURE OF THE
ATTENDING MEMBER/PROXY

NOTES :

- (1) Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.
- (2) Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

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HONEYWELL AUTOMATION INDIA LIMITED

PROXY

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

I/We

Of _____ in the district of _____ being

a Member/members of the above-named Company, hereby appoint

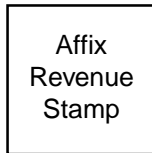
of _____ in the district of _____ or

failing him, _____ of _____ as

my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty First Annual General Meeting of the Company at Hotel Taj Blue Diamond, 11 Koregaon Park, Pune 411 001 at 3.30 p.m. on Tuesday, April 26, 2005 and at any adjournment thereof.

Signed this _____ day of _____ 2005.

Signature Shareholder



Reference Folio No.

No of shares held

This form is to be used $\frac{\text{---}}{\text{---}}$ ^{* in favour of} $\frac{\text{---}}{\text{---}}$ the resolution. Unless otherwise instructed the proxy will act as he thinks fit.
_{* against}

* strike out whichever is not desired.

NOTE : The proxy must be returned so as to reach the Registered Office of the Company at 56 & 57, Hadapsar Industrial Estate, Pune 411 013, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.