

Board of Directors

| | |
|----------------------|-----------------------------------|
| Mr. Madhukar Bhagwat | (Chairman & Independent Director) |
| Mr. Shane Tedjarati | (Director) |
| Mr. Norman Gilsdorf | (Director) |
| Mr. Gerard Willis | (Director) |
| Mr. Surendra Rao | (Independent Director) |
| Mr. Anant Maheshwari | (Managing Director) |
| Ms. Sneha Padve | (Company Secretary) |

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Senior Management Team

| | |
|----------------------------|--|
| Mr. Ananthanarayanan K. V. | Head - Legal |
| Mr. Bagaitkar Ravi | Head - Honeywell Operating System |
| Mr. Bansal Rohit | Head - Sensing & Controls |
| Mr. Bhatia Vivek | Head - Global Services |
| Mr. Biswas Amitava | Head - Process Solutions |
| Mr. Chadha Vikas | Head - Building Solutions |
| Mr. Kamal Asad | Head - Strategy & Marketing |
| Mr. Kelkar Anant | Head - Integrated Supply Chain |
| Mr. Limaye Prasad | Head - Audit & Internal Controls |
| Mr. Mitter Kaushik | Head - Human Resources |
| Mr. Patil Ajay | Chief Financial Officer |
| Mr. Pradhan Ninad | Head - Environment & Combustion Controls |

Registered Office

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

Auditors

Price Waterhouse & Co., Bangalore
Chartered Accountants

Bankers

Citibank N. A.
Royal Bank of Scotland

Registrar & Transfer Agent:

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

NOTICE is hereby given that the **TWENTY-NINTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held **at 2.00 p.m. on May 3, 2013** in Honeywell Automation India Limited, 56 & 57, Hadapsar Industrial Estate, Pune 411 013 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Statement of Profit and Loss for the year ended December 31, 2012 and the Balance Sheet as at that date.
2. To declare dividend.
3. To appoint a Director in place of Mr. S.L. Rao who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Gerard Willis who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing Director) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year of the period of five years commencing with the financials for the year commencing January 1, 2012."

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 re-appointment and change in remuneration of Mr. Anant Maheshwari as Managing Director, with effect from March 1, 2013, upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification signed by the Chairman, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Directors and Mr. Maheshwari."

NOTES:

- a) The Company's shares are under the compulsory demat list. Shareholders are requested to utilise this facility to their advantage. Shareholders have been sent the ECS facility forms. Shareholders are requested to fill in the forms and take advantage of this facility.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 16, 2013 to Tuesday, April 23, 2013 (both days inclusive).
- c) 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.

- d) 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.
- e) Members are requested to promptly notify any change in their address to the Company's Registrars & Share Transfer Agents, namely, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the year ended December 31, 2006 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 year ended December 31, 2006 or any subsequent years are requested to make their claim to the Office of the Registrar and Transfer Agents; TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. It may be noted that once the dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.
- g) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.
- h) Shareholders are requested to bring their copy of Annual report to the meeting.

Pune, February 6, 2013

By order of the Board of Directors

Sneha Padve
Company Secretary

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item Nos. 3 & 4:

| | | |
|--|--|---|
| Name of Director | Mr. S.L. Rao | Mr. Gerard Willis |
| Date of Birth | 22.01.1936 | 27.12.1953 |
| Date of Appointment | 24.1.2002 | 01.01.2006 |
| Expertise in specific functional areas | Professional Manager and Applied Economist | Law |
| Qualifications | B.Com (Hons), M.A. in Economics | New York University School of Law, 1986 Honors. Brown University – B.A. International Affairs Honors. George Washington University School of Public and International Affairs, Washington D.C.; M.A. International Affairs. |
| List of public Companies in which outside Directorships held as on December 31, 2012 | Kanoria Chemicals and Industries Limited Rain Commodities Limited, Rain CII Carbon Vizag Limited | – |
| Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2012 | Rain Commodities Limited Rain CII Carbon Vizag Limited Chairman - Audit Committee | – |

Item No.6:

The resolution authorizing payment of commission to the Non-Executive Directors needs to be renewed every five years. This is therefore a renewal of the earlier resolution.

Item No. 7:

Mr. Anant Maheshwari was appointed as the Managing Director for a period of 3 years w.e.f. March 1, 2010. This term has been renewed for a further period of 3 years from March 1, 2013 to February 29, 2016 on the following terms and conditions:

- I) Mr. Anant Maheshwari shall, as the Managing Director, be Head of the Management Team and shall, subject to the supervision and control of the Board of Directors, be responsible for the overall conduct and functioning of the Company.
- II) **Remuneration:**
 1. Annual Gross Compensation (which includes basic pay, HRA, other allowances and commission etc.) in the scale of Rs.1,20,00,000/- (Rupees One crore, twenty lakhs only) to Rs. 2,50,00,000/- (Rupees Two crores, fifty lakhs only) per annum, with authority to the Board to fix his salary within this scale from time to time. The annual increment will be merit based and take into account the Company's performance.

2. Commission:

Such remuneration by way of commission (Incentive Compensation Plan), included in the Annual Gross Compensation 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 year subject to the overall ceilings stipulated in Sections 198 and 309 of the Act. The specific amount payable to the Managing Director will be based on certain performance criteria to be laid down by the Board and will be payable annually after the annual accounts have been approved by the Board of Directors and adopted by the members. The Managing Director will also be eligible to long term incentives such as stock options, restricted units issued by Honeywell Inc., from time to time as per Honeywell policy.

3. Retirals:

Company's contribution to Provident Fund, to the extent it is not taxable under the Income Tax Act; Gratuity payable as per the rules of the Company and encashment of leave at the end of tenure shall not be included in the computation.

4. Minimum remuneration:

Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the Managing Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary and perquisites as specified above, subject to limits laid down in Schedule XIII of the Companies Act, 1956.

- III) The terms and conditions of the said appointment and/ agreement may be altered and varied from time to time by the Board, as it may, in its discretion, deem fit within the maximum amounts payable to Managing Director subject to the provisions of Sections 198, 309 and 310 and Schedule XIII of the Companies Act, 1956 or any other amendments made hereafter in this regard.
- IV) There are other usual provisions in the agreement relating to termination of contract, observing strict secrecy in respect of business matters, etc.

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

Dear Members,

The Directors present the **TWENTY-NINTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2012.

1. FINANCIAL RESULTS:

| Particulars | Year ended December 31, 2012 (Rs. in lacs) | Year ended December 31, 2011 (Rs. in lacs) |
|---|--|--|
| Sales & Other Income | 167192 | 162936 |
| Operating Profit | 13365 | 16137 |
| Less: Interest | 34 | 85 |
| Depreciation | 1399 | 1481 |
| Profit for the year | 11932 | 14571 |
| Provision for tax | 3610 | 4804 |
| Deferred Tax Adjustment | (195) | (947) |
| PROFIT AFTER TAX | 8517 | 10714 |
| Profit brought forward from the previous year | 47947 | 39331 |
| Profit available for appropriations | 56464 | 50045 |
| APPROPRIATIONS | | |
| General Reserve | 852 | 1071 |
| Proposed Dividend | 884 | 884 |
| Tax on proposed dividend | 143 | 143 |
| BALANCE CARRIED FORWARD | 54585 | 47947 |

2. DIVIDEND:

Final dividend @Rs.10/- per share of Rs.10/- each was recommended by the Board in their meeting held on February 6, 2013.

3. OPERATIONS:

The Management Discussion & Analysis Report annexed herewith provides full details of operational performance and business analysis of these business units.

- **Honeywell Process Solutions (HPS)** – business serves core industrial sectors of Refining, Oil & Gas, Pulp & Paper, Metal and Cement etc.
- **Honeywell Building Solutions (HBS)** – business provides solutions and services for facilities such as Commercial & Industrial Buildings, IT & ITES industry, Hospitals, Hotels, Airports, Mass Rapid Transit (MRT) etc.
- **Environment and Combustion Control (ECC)** – Through multi channels and multiple brands, offers environmental and combustion products and solutions to commercial, hospitality and industrial segments.
- **Sensing & Control (S&C)** – Products business provides various sensors and switches to manufacturing and automobile industry. This business serves primarily OEMs in various manufacturing industries such as auto, medical instrumentation, IT, etc.
- **Exports Business Group (EBG)** – Addresses manufacturing and engineering services needs of Honeywell along with some other non Honeywell customers across the globe, leveraging the cost, skills and knowledge arbitrage.

4. COMMUNITY DEVELOPMENT WORK:

HAIL is committed to its CSR activities and strongly believes that helping out even in a small way, can bring about a difference in the lives of many. Our commitment is on issues related to Health, Education & Environment.

Some of the initiatives under CSR were as follows:

Education:

- Text book Audio recording for blind school students.
- School kit with school bag donated to Samparc orphanage center & schools near Pune.
- Computer Skills Training for the Physically Handicapped at a school in Pune.
- Scholarship program for street children and students of Hermann Gmeiner social center for college education.
- Chemistry Olympic organized and it was conducted in the form of science test, quiz & talk show. Science kits were given to all participating schools.

Health:

- Medical Checkup Camps were held in an orphanage and in various schools. Workshops were held for anti addiction & anti anemia.
- Cancer Awareness program was held which covered information on Lifestyle and Cancer Prevention.

Environment:

- Various treks were organized. A Cycle rally was held to spread the message of Go green & to promote cycling for a healthy life style.

5. DIRECTORS:

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. S.L. Rao and Mr. Gerard Willis, retire by rotation and are eligible for reappointment.

6. MANAGEMENT DISCUSSION & ANALYSIS/CORPORATE GOVERNANCE REPORT:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report and Corporate Governance report are annexed and form part of the Directors Report.

7. CODE OF CONDUCT COMPLIANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, the declaration signed by the Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the Financial Year 2012 is annexed and forms part of the Corporate Governance Report.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b) They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) They have prepared the annual accounts on a going concern basis.

9. AUDITORS:

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

10. OTHER INFORMATION:

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 pertaining to absorption of technology, foreign exchange earnings, is given as an Annexure to this Report and forms part of it. As per provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and Accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

11. ACKNOWLEDGMENT:

The Board would like to place on record its appreciation and thanks to all its employees for their contribution. The Board also wishes to acknowledge the support it has received from its investors, customers, vendors, regulatory authorities and bankers.

For and on behalf of the Board
M.N. Bhagwat
Chairman

Pune, February 6, 2013

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

Annexure to Directors' Report

A) CONSERVATION OF ENERGY:

Your Company continues to make every effort to conserve energy required for all its operations. Some of the key initiatives undertaken in 2012 for the same are as under:

- Implemented electrical load monitoring supervision with help of existing staff.
- Reduced number of hours of operation of AC and lighting loads.
- Although there was an increase in the seating area in 2012 by around 11000 Sqft., there was no increase in the electrical power consumption due to the initiatives taken as above.
- Brought control on holiday working to avoid running of electrical equipments on holidays for partial load.

B) TECHNOLOGY ABSORPTION:

HAIL is an affiliate Company of Honeywell International Inc., and on merits it continues to have access to some of the latest products and technology of the parent Company. We continue to roll out new products and technology in the Indian markets as and when they are rolled out in our part of the world.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

| | (Rs. in Lacs) |
|-----------------------------|---------------|
| (i) Foreign Exchange Earned | 696,18 |
| (ii) Foreign Exchange Used | 685,13 |

PERFORMANCE OF KEY FINANCIAL INDICATORS AND HIGHLIGHTS OF 2012

- External Orders up by 6% over 2011
- Sales up by 3% over 2011
- Net Income at Rs. 8517 lakhs, lower by 20.5% over 2011
- Cash flow from operations was negative Rs. 1732 lakhs

INDUSTRY OUTLOOK AND OPPORTUNITIES

Your Company's operating results are significantly influenced by macro-economic trends such as Industrial Production, Capital Spending on Process and Building Automation, Commercial and Infrastructure Construction, Commodity prices and Foreign Exchange variations.

During the year under review, Indian economy grew at a rate significantly lower compared to that in the prior year. This impacted capital expenditure cycle and high inflation kept interest rates higher which slowed down investments. More specifically, the industrial and infrastructure sectors served by your Company saw significant slow-down during the year, which impacted both, new order inflow and also revenue recognition due to slow progress on existing backlog of long-cycle projects won in previous years. This was coupled with continued cost escalation on delayed projects. Economic and industry conditions regarding Environment, Security and Safety and Regulations for fire safety standards, security specifications for buildings etc., also have an impact on your Company's operation. Some of the important market conditions were:

- Government spending is critical for development of core infrastructure like Roads, Ports, Airports, Mass Transportation Systems etc. Such spending supports volume growth of Buildings Solutions and ECC business groups of your Company. Such spending is slowed down as several large projects are behind schedule.
- For Process Solutions Business, delayed incremental investments in Refining, Power Generation, Transmission and Distribution, Oil Exploration projects coupled with delayed decisions in Oil Marketing and Distribution investments and private investments in Chemicals, Mining, Paper and other Small and Medium Enterprises (SME) Process Industries.
- For S&C business, the general slowdown in industrial and infrastructure construction sectors, meant significant shrinkage of available opportunities.
- During the year under review, there have been significant economic and competitive pressures caused due to slow down in developed markets. Overall geographic mix of global business is also shifting from North America and Western Europe earlier, to other countries in Asia, Middle-east, South America and Eastern Europe - these changes significantly reduce the cost benefit of sourcing services from India by Honeywell entities. Competitive pressures especially from developing nations in Eastern Europe and Central Asia are ever increasing with comparable options available to customers closer to their geographies. In order to sustain competitiveness as well to respond to prevailing economic conditions, billings rates for export services were rationalized with effect from January 1, 2012. A communication to this effect was released in Q4, 2011. Such changes in billing rates has helped in maintaining business volumes originating from Honeywell companies around the world.

Honeywell Process Solutions (HPS):

HPS Solutions offerings include Distributed Control Systems, Field Instruments, Programmable Logic Controllers, Emergency Shutdown Systems (ESD), Quality Controls Systems (QCS), Process and Business Performance Improvement Solutions and various value added services. Overall, 2012 has been a stable year for HPS having won several prestigious projects as well as continued its strong position in key vertical of Oil and Natural Gas. Some of the key wins were with BPCL, HPCL, IOCL, NTPC and Reliance Industries.

2013 is likely to be a challenging year for HPS due to prevailing economic and political environment which may cause delay in policy legislation, lower growth of Industrial production and continued competitive pressures in the market. Opportunities in the green field refining sector are declining and your Company shall rely heavily on the limited investments in Petrochemicals / Fertilizers and upgrade / expansion of Oil Terminals / Storage projects in India. Your Company has a strong position in each of these areas and with a suite of solutions and products that cater to these

sectors, we expect that from among available opportunities we will win a fair share of the demand. Given the vast diversity of Products and Solutions portfolio and market reach, your Company will strive to sustain its performance in 2013.

Honeywell Building Solutions (HBS):

HBS provides building solutions that are operationally intelligent and energy efficient. As part of its intelligent buildings suite, HBS provides building management systems (HVAC, Lighting and Utilities monitoring and control), fire detection and alarm systems, access control systems, video surveillance systems, integrated security systems and integrated building management systems leveraging Honeywell's Enterprise Buildings Integrator™ i.e., EBI. As part of its operational efficiency promise, HBS provides After Market Services for all control systems as well as comprehensive Utilities Operations and Maintenance Services for all mechanical and electrical systems in a building. As part of its energy efficiency promise HBS provides energy management services, energy retrofits and energy performance contracts.

This business continued its consistent track record in Airports, IT, Datacenters and Office Space verticals and accelerated its presence in Telecom, Healthcare and Pharmaceutical verticals in 2012. Major wins / customers include Bharti Airtel, Cognizant Technology Solutions, Delhi International Airport, IOCL, Kolkata Airport, Leighton Welspun, Reliance Industries, Tata Consultancy Services.

With a proven track record, an ability to innovate, world class large project execution capability and solid systems and processes for execution and life cycle management, this business is poised for sustained growth in 2013.

Environment and Combustion Control (ECC):

With softening of investments in hospitality and commercial real estate sector, ECC business had a tough year to sustain revenue growth, which was marginal compared to last year. Channel volumes, expansion of distribution footprint to Tier 2 and Tier 3 cities, key project wins in the Building Management System (BMS) business were the highlights of the year. Some of the major wins were Vansthali Vidyapeeth, Wipro, and Samsung. Industrial Combustion Control business continued to see positive trends with revival of industrial demand in the last year. Solar water heaters launched in early in 2009 continued to report strong sales albeit on lower base. Government policies for encouraging renewable energy solutions are helping in leveraging large commercial opportunities in this space.

In 2012, this business also identified synergistic opportunities for a shared management and go-to-market approach with another Honeywell India entity: Honeywell Electronic Devices and Solutions (HEDS). Both these businesses target similar end markets in the commercial and residential construction, and therefore can benefit by sharing their channels and support infrastructure. This strategy and the mechanisms to plan and audit this arrangement has been approved by the board. We believe this should provide your company an opportunity to expand its reach to Tier 3 and 4 cities. Your Company is in process of negotiating a joint marketing agreement.

Consolidation of Commercial Construction and Real Estate segment, along with urbanization of Tier 2 and 3 cities, would drive growth of the diversified product portfolio for the business in 2013 and beyond. We remain cautious on the overall liquidity situation and interest rates scenario for 2013 which may affect credit availability in Commercial construction segment, which directly affects the volume of the ECC business.

Sensing and Control (S&C):

With core industrial sectors slowing down especially automotive, construction equipment and off highway equipment, S&C revenue growth rates were lower compared to historical years. But on the back of strong product offering, technology and superior services, S&C managed to clock double digit growth for the year across all lines of business viz. Electromechanical, Electro Sensing and Test and Measurement. During the year under review, S&C has managed to secure large program orders from key customers, which are expected to support revenue growth in 2013 and beyond.

Your Company will continue to remain focused on verticals such as Industrial, Transportation, Military/Aerospace and Medical. Another important initiative is to expand our distribution network especially for greater coverage of industrial customers. During the year there have been significant new business opportunities (NBOs), which resulted in major wins with customers like PHA India, Caterpillar India, Voltas and Hindustan Aeronautics. These NBOs are expected to support growth in coming years.

Exports Business Group (EBG):

Global Services (GS) mainly provides engineering services, product manufacturing, solutions, and other software engineering services. These services are mainly provided to Honeywell companies around the world. With prevailing economic and competitive scenario in the rest of the world, GS is under pressure to meet productivity targets and meet competitive pricing available to the Honeywell entities globally.

GS has received silver certification in Honeywell Operating Systems (HOS), which is designed to improve service performance and cost optimization through better productivity, thereby representing a holistic approach to operational excellence. The team continues to drive these processes in the business. The business continued to drive cost and engineering productivity under this framework. Service expansion to other Honeywell companies has diversified the business. This has also resulted in skill expansion within the team.

Global Manufacturing (GM) initiative is now stabilizing with continued global demand from Honeywell companies. Compared to prior year, GM revenue growth has been robust and the business made earnest efforts to sustain profitability in light of weak global economic volumes. During the year under review, your Company received orders for assembly of products for global Airport Securities Group (ASG).

FINANCIALS

Despite challenges noted above, overall Net Sales at Rs.166041 lakhs (Net revenue from operations Rs.166073 lakhs), is up 3% compared to previous year. The exports segment of the business registered growth of 11.5%. This growth was achieved amidst competitive challenges on pricing and adverse order backlog mix affecting sales volumes. The domestic business growth declined by 1.4%, driven by an economic slowdown in the segment.

Overall Net Income was Rs. 8517 lakhs, decreased by 20.5%, primarily due to

- Marginal growth in revenue, driven by slowing Indian economy coupled with higher costs due to high inflation and wage increases.
- Weaker Indian rupee impacted import cost structure causing cost of production to go up during the year. Some of this impact was offset by the strong performance of exports segment.
- Corporate allocation is higher by Rs. 2081 lakhs, impacted due to significantly weaker rupee as invoicing of allocation is in US Dollars, besides, marginal increase in allocation compared to prior year based on inflation and general increases. Allocations represent your Company's fair share of expenses allocated by Honeywell International Inc. to all its affiliate companies worldwide in compliance with global Transfer Pricing regulations. Also refer to Note 42 of financial statement, page 50.
- Competitive pressure on margins in the project and product businesses driven by lower selling prices as a result of the competitive market environment, offset partially by favorable revenue mix driving overall decrease in cost of goods sold by 200 bps.
- Competitive pressure on margins in the project and product businesses driven by lower selling prices as a result of the competitive market environment.
- Your Company continues to invest in attracting top talent and also to remain a preferred employer. During the year, manpower expense was higher by 5%. The average headcount for the year stood lower by 4% over prior year.
- Pressure due to delayed payments from customers and increased working capital cycles for delayed projects. These were driven by tight money market conditions and a very challenging business and economic environment, which caused the Company to take higher charge on account of Provision for doubtful debts and Bad debt by 26% year on year.

Cash flow from operations reflected adverse liquidity and tight money market conditions and was negative Rs.1732 lakhs (previous year negative Rs.1845 lakhs) primarily due to large infrastructure projects having extended payment milestones and constrained credit markets in the overall commercial construction space resulted in increased working capital. While your Company was able to mitigate some risk on working capital, the overall project receivable and retentions increased beyond the proportion of project revenues thereby causing stress on overall cash flow from operations. Your Company will continue to strive to have better working capital performance in generating positive operating cash flows in proportion to its Net Income.

RISKS AND CONCERNS

Your Company generates a large percentage of its sales and profits from its business with the Honeywell group (Honeywell), its major shareholder. Sales to Honeywell accounted for approximately 35% and 32% of total net sales in fiscal years 2012 and 2011, respectively. Your Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors, including our ability to (i) identify emerging trends and customer requirements and develop product and service offerings superior to those of our competitors, (ii) meet or surpass the price, quality and delivery requirements of Honeywell and its end-customers in a cost-effective and competitive manner and (iii) develop and retain employees and leaders with the necessary expertise. However, your Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell specific business considerations (independent of its shareholdings in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by your Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company. Pricing pressures on sales of goods and services to Honeywell or a reduction in the volume or change in the mix of orders or sales to Honeywell can be expected to have a material adverse impact on the revenues and profits of the Company.

While your Company is diversified in various products, industries and geographies, major macro economic indicators are generally cautious around investments in the Process and the Construction Industries. While your Company is expecting to achieve a fair share in the reduced opportunities due to global recession, the diversification is helping it to manage these recessionary trends in focusing on right business. While we continue to believe that the fundamentals appear to be strong, and Domestic infrastructure investments continue to be resilient, the overall competitive landscape is becoming more aggressive due to lower global volumes for most peer companies having international presence. Volatility of foreign exchange rates continues to be a concern due to large exposure to foreign currencies that the Company has on account of imports as well as exports.

Your Company has initiated aggressive cost and productivity actions to address the economic growth and Forex concerns and thereby achieve sustained profitable growth, while remaining optimistic that the current recessionary trends will subside in the near future.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

• Internal Control Framework

Your Company conducts its business with integrity and high standards of ethical behavior and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in place, supported by policies, guidelines and procedures, including suitable monitoring procedures. In addition to external audit, the financial and operating controls of your Company at various locations are reviewed by the Internal Audit team, as per plan approved by the Audit Committee, Honeywell Automation Internal Controls team for Sarbanes Oxley testing and the Honeywell Corporate Audit team. The significant findings are presented to the Audit Committee. The Audit Committee, at their meetings, also reviews with rigor, the closure of actions committed by the Management.

Your Company's Code of Conduct sets out the fundamental standards to be followed by employees in their everyday actions. Your Company also has an elaborate Integrity and Compliance program where employees are required to undergo trainings to become familiar with the legal requirements, avoid conflicts of interest sensitized to work place behaviors and are tasked with upward reporting of all unethical and illegal conduct. All employees are committed to the principle of performance with integrity and ensuring that activities comply with all applicable laws. Additionally, all officers of the Company are required to certify on an annual basis whether there have been any transactions which are fraudulent, illegal or in violation to the Code of Conduct. Strong oversight and self monitoring policies and procedures demonstrate your Company's commitment to the highest standards of integrity.

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 Organization. The weekly and monthly Management Information System report provides Actual performance versus budgets.

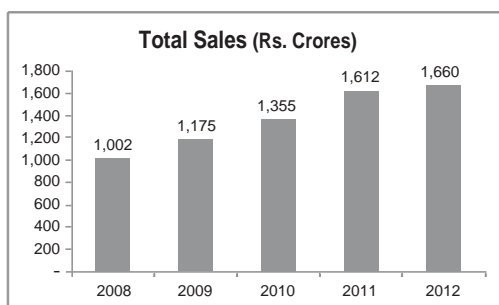
The Company has a strong Operations review mechanism in place. The Management Committee, the Business Unit / Department Head review the performance of the business and the expenses on a monthly basis and corrective actions are discussed and implemented.

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

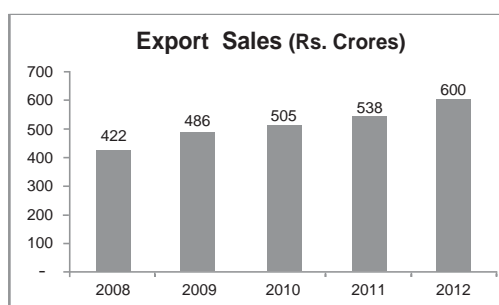
The Company has also initiated various process to ensure fixed cost remain fixed, enabling margin improvement on volume leverage. Your Company continues to take conscious efforts to reduce cost to serve and eliminate cost of poor quality, while addressing price and volume pressures in tough economic environment.

Summary

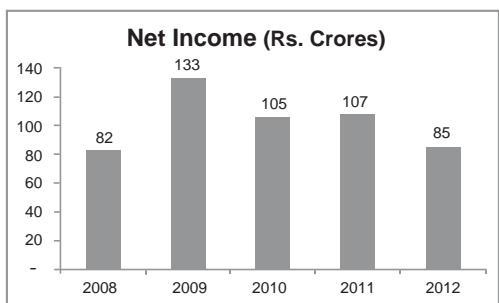
Despite a more balanced revenue mix of domestic revenue v/s exports, revenue was essentially flat compared to 2011 while your Company experienced moderately lower net income for 2012. Increased competitive environment in both domestic and exports opportunities continues to be a concern which is being addressed through concentrated efforts on operational excellence, driving productivity and aggressive cost rationalization thus making us a much leaner Company to address the challenging times ahead.



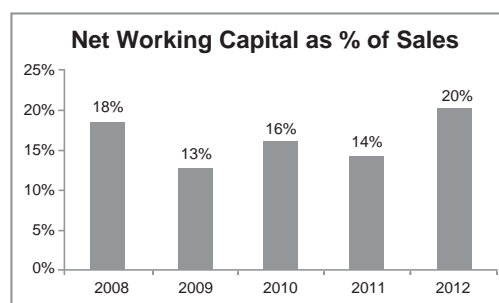
Total Sales grew marginally by 2.9% year on year.



Exports sales growth up by 11.5% over prior year due to global lines manufacturing and hardware exports. Engineering services revenue remained flat despite competitive pricing pressures that were offset by productivity.



Net Income declined by 20.5% over prior year due to competitive pricing pressures, weaker Rupee, increase in imports, increase in employee related expenses and corporate allocation, offset to some extent by productivity gain.



Inflationary pressure on interest rates, liquidity crunch and extended billing milestones caused increased amount of working capital investment.

To

The Members of Honeywell Automation India Limited

1. We have audited the attached Balance Sheet of Honeywell Automation India Limited (the "Company") as at December 31, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 Act;
 - (e) On the basis of written representations received from the directors, as on December 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number: FRN 007567S
Chartered Accountants

Place : Pune
Date : February 6, 2013

Jeetendra Mirchandani
Partner
Membership Number: 48125

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Honeywell Automation India Limited on the financial statements as of and for the year ended December 31, 2012.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of five years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of 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) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has not granted/taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d)/(f) and (g)] of the said Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that, except for certain items of inventory which are of special nature for which suitable alternative sources do not exist, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- 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 of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. 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 the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of Income tax,

employees' state insurance and sales tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth-tax, service-tax, which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, customs duty and excise duty as at December 31, 2012 which have not been deposited on account of a dispute, are as follows

| Name of the statute | Nature of dues | Amount* (Rs in lakhs) | Financial Year to which the amount relates | Forum where the dispute is pending |
|---------------------------------------|--|--------------------------|---|--|
| The Central Excise Act, 1944 | Excise duty, including applicable penalty | 3 | 2002-03 | Customs, Excise and Service Tax Appellate Tribunal |
| The Customs Act, 1962 | Penalty | 8 | 2006-07 | Customs, Excise and Service Tax Appellate Tribunal |
| Maharashtra Sales Tax Act, 1960 | Sales Tax / Value Added Tax, including applicable interest | 103 | 2000-01 to 2001-02 | Maharashtra Sales Tax Appellate Tribunal |
| Maharashtra Sales Tax Act, 1960 | Sales Tax / Value Added Tax, including applicable interest | 148 | 2002 -03 | Joint Commissioner of Sales Tax (Appeals) |
| Maharashtra Value Added Tax, 2002 | Value Added Tax & Central Sales Tax | 16 | 2006-07 | Joint Commissioner of Sales Tax (Appeals) |
| Maharashtra Value Added Tax, 2002 | Value Added Tax & Central Sales Tax | 112 | 2007-08 | Joint Commissioner of Sales Tax (Appeals)\ |
| Maharashtra Value Added Tax, 2002 | Value Added Tax & Central Sales Tax | 321 | 2008-09 | Deputy Commissioner of Sales Tax (Appeals) |
| Uttar Pradesh | Value Added Tax & Central Sales Tax | 11 | 2005-06 | Joint Commissioner of Sales Tax (Appeals) |
| Uttar Pradesh | Value Added Tax & Central Sales Tax | 91 | 2007-08 | Joint Commissioner of Sales Tax (Appeals) |
| Uttar Pradesh | Value Added Tax & Central Sales Tax | 132 | 2009-10 | Joint Commissioner of Sales Tax (Appeals) |
| Gujarat Sales Tax Act, 1969 | Sales Tax / Value Added Tax, including applicable interest | 36 | 2000-01 & 2001-02 | Assistant Commissioner of Sales Tax (Appeals) |
| West Bengal Value Added Tax Act, 2003 | Value Added Tax | 19 | 2005-06 to 2006-07 | Assistant Commissioner of Sales Tax (Appeals) |
| Rajasthan Sales Tax Act, 1994 | Sales Tax / Value Added Tax, including applicable interest | 45 | 2006-07 to 2008-09 | Deputy commissioner of Sales tax (appeals) |
| Income-tax Act, 1961 | Income-tax including applicable interest | 2,273 | 2005-2006 | Income Tax Appellate Tribunal |
| Income-tax Act, 1961 | Income-tax including applicable interest | 472 | 2007-2008 | Income Tax Appellate Tribunal |

* Net of amounts paid under protest or otherwise

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, 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. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number: FRN: 007567S
Chartered Accountants

Place : Pune
Date : February 6, 2013

Jeetendra Mirchandani
Partner
Membership Number: 48125

(Rupees in lakhs)

| Particulars | Note No | As at December 31, 2012 | As at December 31, 2011 |
|---|--------------|----------------------------|----------------------------|
| Equity and Liabilities | | | |
| Shareholders' fund | | | |
| Share capital | 2 | 884 | 884 |
| Reserves and surplus | 3 | 69,631 | 62,141 |
| | | <u>70,515</u> | <u>63,025</u> |
| Non-current liabilities | | | |
| Long-term provisions | 4 | 2,344 | 1,753 |
| | | <u>2,344</u> | <u>1,753</u> |
| Current liabilities | | | |
| Trade payables | 5 | 32,725 | 35,087 |
| Other current liabilities | 6 | 7,951 | 6,791 |
| Short-term provisions | 7 | 4,817 | 5,958 |
| | | <u>45,493</u> | <u>47,836</u> |
| | Total | <u><u>118,352</u></u> | <u><u>112,614</u></u> |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 8a | 7,134 | 7,368 |
| Intangible assets | 8b | 36 | 49 |
| Capital work in progress | | 37 | 272 |
| | | <u>7,207</u> | <u>7,689</u> |
| Deferred tax assets(Net) | 9 | 4,231 | 4,036 |
| Long-term loans and advances | 10 | 11,777 | 10,849 |
| Other non-current assets | 11 | 1,359 | 1,788 |
| | | <u>17,367</u> | <u>16,673</u> |
| Current assets | | | |
| Inventories | 12 | 10,367 | 8,346 |
| Trade Receivables | 13 | 37,548 | 34,781 |
| Cash and bank balances | 14 | 14,877 | 17,656 |
| Short-term loans and advances | 15 | 5,103 | 2,774 |
| Other current assets | 16 | 25,883 | 24,695 |
| | | <u>93,778</u> | <u>88,252</u> |
| | Total | <u><u>118,352</u></u> | <u><u>112,614</u></u> |
| Summary of significant Accounting policies | 1 | | |

The notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number - FRN 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner

Membership No: 48125

Place : Pune
Date : February 6, 2013

For and on behalf of the Board

M.N. Bhagwat
Chairman

Sneha Padve
Company Secretary

Place : Pune
Date : February 6, 2013

Anant Maheshwari
Managing Director

Ajay Patil
Chief Financial Officer

(Rupees in lakhs)

| Particulars | Note No | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---------|---|---|
| Revenue from operations (gross) | 17 | 169,330 | 163,579 |
| Less: Excise Duty | | 3,257 | 2,275 |
| Revenue from operations (net) (Refer note 32) | | 166,073 | 161,304 |
| Other Income | 18 | 1,119 | 1,632 |
| Total Revenue | | 167,192 | 162,936 |
| Expenses: | | | |
| Cost of materials consumed | 19a | 83,620 | 84,486 |
| Purchases of traded goods | | 15,143 | 12,937 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 19b | (2,014) | (399) |
| Employee benefits expense | 20 | 29,729 | 28,355 |
| Finance costs | 21 | 34 | 85 |
| Depreciation and amortization expense | 8a&8b | 1,399 | 1,481 |
| Other expenses | 22 | 27,349 | 21,420 |
| Total Expenses | | 155,260 | 148,365 |
| Profit before tax | | 11,932 | 14,571 |
| Tax Expense: | | | |
| - Current tax | | 3,610 | 4,804 |
| - Deferred tax | | (195) | (947) |
| Profit for the year | | 8,517 | 10,714 |
| Earning per equity shares (In Rs.) (Refer Note No.26) Basic and Diluted (Nominal value per share: Rs.10 (2011:Rs.10)) | | 96.33 | 121.18 |

The notes are an integral part of these financial statements.

This is the statement of Profit and Loss referred to in our report of even date.

For and on behalf of the Board

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number - FRN 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner

Membership No: 48125

Place : Pune
Date : February 6, 2013

M.N. Bhagwat
Chairman

Sneha Padve
Company Secretary

Place : Pune
Date : February 6, 2013

Anant Maheshwari
Managing Director

Ajay Patil
Chief Financial Officer

(Rupees in lakhs)

| Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
| A. Cash flow from operating activities | | |
| Profit before taxation | 11,932 | 14,571 |
| Adjustments for: | | |
| Depreciation | 1,371 | 1,457 |
| Amortisation | 28 | 24 |
| Loss/(profit) on sale of tangible assets(net) | 21 | (5) |
| Interest income | (726) | (1,030) |
| Interest expenditure | 34 | 85 |
| Operating profit before working capital changes | 12,660 | 15,102 |
| Increase/ (decrease) in trade payables and other current liabilities | (1,202) | 8,992 |
| Increase/ (decrease) in provisions | (550) | 1,461 |
| (Increase) in trade and other receivables | (6,296) | (22,466) |
| (Increase) in inventories | (2,021) | (463) |
| Cash generated from operations | 2,591 | 2,626 |
| Taxes paid (net of refund) | (4,323) | (4,471) |
| Net cash generated from operations | (1,732) | (1,845) |
| B. Cash flow from investing activities | | |
| Purchase of tangible/intangible assets | (985) | (1,685) |
| Sale of tangible/intangible assets | 47 | 139 |
| Interest received | 952 | 1,046 |
| Fixed deposit placed during the year | (19,415) | (36,436) |
| Proceeds from fixed deposits matured during the year | 26,000 | 39,300 |
| Net cash from investing activities | 6,599 | 2,364 |
| C. Cash flow from financing activities | | |
| Dividend paid | (1,027) | (1,031) |
| Interest paid | (34) | (85) |
| Net cash used in financing activities | (1,061) | (1,116) |
| Net change in cash and cash equivalents | 3,806 | (597) |
| Cash and cash equivalents as at the beginning of the year | 8,504 | 9,101 |
| Cash and cash equivalents as at the end of the year | <u>12,310</u> | <u>8,504</u> |
| Movement in cash and cash equivalents | 3,806 | (597) |

(Rupees in lakhs)

| Cash and cash equivalents consists of | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Bank Balances | | |
| Current Accounts | 4,042 | 2,887 |
| Demand deposits (Less than 3 months maturity) | 8,268 | 5,617 |
| | <u>12,310</u> | <u>8,504</u> |

Notes:

- 1 Cash Flow statement has been prepared under the 'Indirect Method' set out in Accounting Standard (AS) - 3: "Cash Flow Statements" as specified in the Companies (Accounting Standard) Rules 2006.
- 2 Prior year comparatives have been reclassified to confirm with current year's presentation, where applicable.
- 3 Figures in brackets represent out flows of cash and cash equivalents.

In terms of our report of even date

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number - FRN 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner

Membership No: 48125

Place : Pune
Date : February 6, 2013

For and on behalf of the Board

M.N. Bhagwat
Chairman

Sneha Padve
Company Secretary

Place : Pune
Date : February 6, 2013

Anant Maheshwari
Managing Director

Ajay Patil
Chief Financial Officer

Notes Forming Part of Financial Statements for the Year Ended December 31, 2012

NOTE 1 - GENERAL INFORMATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**A. GENERAL INFORMATION:**

Honeywell Automation India Limited (the 'Company') is engaged primarily in business of Process Control and Management Systems field on turnkey basis and otherwise. The Company is a public limited company and is listed on the Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE).

SIGNIFICANT ACCOUNTING POLICIES:**B. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

C. TANGIBLE ASSETS

Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful lives of the assets or the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher, as follows:

| Class of Assets | Useful Lives |
|------------------------|---------------------|
| Buildings | 30 years |
| Plant and Machinery | 10 years |
| Demo Equipment | 4 years |
| Computers | 3 years |
| Office Equipment | 5 - 6 years |
| Furniture and Fixture | 5 - 10 years |
| Vehicles | 4 - 5 years |

Assets installed in leased premises are depreciated over 4 years representing average life of the lease for such premises.

D. INTANGIBLE ASSETS AND AMORTIZATION

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss. The amortisation rates used are:

- a) Product distribution rights - HSPL are amortized over a period of 10 years.
- b) Software purchased over a period of 3 years.

E. BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

F. IMPAIRMENT

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

G. INVENTORIES

Inventories are stated at lower of cost and net realisable value. Cost is determined using the standard costing technique, which approximates the actual cost. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

H. REVENUE RECOGNITION

- i) Revenue in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method in accordance with Accounting Standard 7 - Accounting for construction contracts.
- ii) Percentage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iii) Difference between costs incurred plus recognized profits/ less recognized losses and the amount of invoiced sale is disclosed as contracts in progress.
- iv) Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.
- v) Contractual claims are recognized on raising of the claim. However, consequential liability to excise duty, if any, is

provided for and corresponding revenue is accounted for only on settlement of the claim. Income from non-contractual claims is recognized only on acceptance of the claim by the customer.

- vi) Revenue from sales of products and services are recognized when significant risks and rewards of ownership of products are passed on to the customer or when the service is provided.
- vii) Revenue from short term software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. With reference to fixed price contracts revenue is recognized in accordance with proportionate completion method.

I. OTHER INCOME

Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

J. FOREIGN CURRENCY TRANSACTIONS

Initial Recognition: On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Subsequent Recognition: As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

Forward Exchange Contracts : The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset/liability, is amortized as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

K. EMPLOYEE BENEFITS

Superannuation fund: Contribution towards superannuation fund for certain employees is made to the Life Insurance Corporation, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

Provident Fund: Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Gratuity: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the

same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Termination Benefits: Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

L. TAXATION

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the group reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

M. PROVISIONS AND CONTINGENCIES

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

N. LEASES

As a lessee: Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

O. CASH AND CASH EQUIVALENTS

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

P. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Notes to the financial statements

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
| Note 2 - Share Capital | | |
| Authorised: | | |
| 10,000,000 (December 31, 2011: 10,000,000) equity shares of Rs.10 each | 1,000 | 1,000 |
| | <u>1,000</u> | <u>1,000</u> |
| Issued: | | |
| 8,841,697 (December 31, 2011: 8,841,697) equity shares of Rs.10 each | 884 | 884 |
| | <u>884</u> | <u>884</u> |
| Subscribed and paid up | | |
| 8,841,523 (December 31, 2011: 8,841,523) equity shares of Rs. 10 each (fully paid up) | 884 | 884 |
| Total | <u><u>884</u></u> | <u><u>884</u></u> |

(a) Rights, preferences and restrictions attached to the shares

Equity Shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(b) Reconciliation of shares:

| | As at December 31, 2012 | | As at December 31, 2011 | |
|---|-------------------------|-------------------|-------------------------|-------------------|
| | Number of shares | (Rupees in lakhs) | Number of shares | (Rupees in lakhs) |
| Equity shares | | | | |
| Balance as at the beginning and end of the year | 8,841,523 | 884 | 8,841,523 | 884 |

(c) Shares held by holding company and subsidiary of holding company

| | As at December 31, 2012 | | As at December 31, 2011 | |
|---|-------------------------|-------------------|-------------------------|-------------------|
| | Number of shares | (Rupees in lakhs) | Number of shares | (Rupees in lakhs) |
| Equity shares | | | | |
| Honeywell Asia Pacific Inc. (Holding company) | 6,631,142 | 663 | 7,182,475 | 718 |

(d) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| | As at December 31, 2012 | | As at December 31, 2011 | |
|---|-------------------------|------------|-------------------------|------------|
| | Number of shares | Percentage | Number of shares | Percentage |
| Honeywell Asia Pacific Inc. (Holding company) | 6,631,142 | 75 | 7,182,475 | 81 |

- a) 6,631,142 (December 31, 2011 : 7,182,475) Equity Shares constituting 75% (December 31, 2011 : 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.
- b) The Company has not allotted any shares as fully paid up bonus shares or pursuant to contract(s) neither payment being received in cash during 5 years immediately preceding December 31, 2012.

Notes to the financial statements

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Note 3 - Reserves and Surplus | | |
| Securities Premium Account | | |
| Balance as at the beginning and end of the year | 1,577 | 1,577 |
| General Reserve | | |
| Balance as at the beginning of the year | 12,617 | 11,546 |
| Add: Transferred from Surplus in the Statement of Profit and Loss during the year | <u>852</u> | <u>1,071</u> |
| Loss during the year | | |
| Balance as at the end of the year | 13,469 | 12,617 |
| Surplus in Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 47,947 | 39,331 |
| Profit for the year | 8,517 | 10,714 |
| Less: Appropriations | | |
| Proposed dividend on Equity shares for the year | 884 | 884 |
| Dividend distribution tax on proposed dividend on equity shares | 143 | 143 |
| Transfer to General Reserve | <u>852</u> | <u>1,071</u> |
| Balance as at the end of the year | <u>54,585</u> | <u>47,947</u> |
| Total | <u><u>69,631</u></u> | <u><u>62,141</u></u> |

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
| Note 4 - Long-term Provisions | | |
| Provision for employee benefits | | |
| Gratuity and other retirement benefits (Refer note 40) | 597 | 335 |
| Other provisions | | |
| Provision for litigations/ disputes (Refer note 39) | 1,511 | 1,248 |
| Provision for Warranty (Refer note 39) | <u>236</u> | <u>170</u> |
| Total | <u><u>2,344</u></u> | <u><u>1,753</u></u> |

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|------------------------------------|----------------------------|----------------------------|
| Note 5 - Trade Payables | | |
| Trade payables (Refer note 27 (b)) | 29,882 | 30,910 |
| Acceptances | <u>2,843</u> | <u>4,177</u> |
| Total | <u><u>32,725</u></u> | <u><u>35,087</u></u> |

Notes to the financial statements

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
| Note 6 - Other Current Liabilities | | |
| Advances from customers | 1,488 | 1,244 |
| Creditors for Capital goods | 18 | 195 |
| Employee benefits payable | 5,633 | 4,426 |
| Statutory dues (including Provident Fund and Tax deducted at Source) | 580 | 696 |
| Other payables | 213 | 213 |
| Unclaimed Dividend* | 19 | 17 |
| Total | 7,951 | 6,791 |

* Includes amount payable towards Investor Education and Protection Fund u/s 205C of the Companies Act, 1956. Rs. NIL

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Note 7 - Short-term Provisions | | |
| Provision for employee benefits | | |
| Compensated absences | 679 | 548 |
| Gratuity and other retirement benefits(Refer note 40) | 517 | 522 |
| Other provisions | | |
| Proposed dividend on equity shares for the year | 884 | 884 |
| Dividend distribution tax on proposed dividend on equity shares | 143 | 143 |
| Provision for Warranty (Refer note 39) | 462 | 330 |
| Provision for estimated cost to complete on contracts (Refer note 39) | 2,132 | 3,531 |
| Total | 4,817 | 5,958 |

Note 8a - Tangible Assets

(Rupees in lakhs)

| Assets | Gross block | | | As at December 31, 2012 | Depreciation / Amortization | | | Net block | | |
|------------------------|-----------------------------|--------------|--------------|-------------------------------|-----------------------------|-----------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at January 1, 2012 | Additions | Deductions | | Upto January 1, 2012 | For the year | Disposal/ Adjustments | As at December 31, 2012 | As at December 31, 2012 | As at December 31, 2011 |
| Land | 30 | - | - | 30 | - | - | - | 30 | 30 | |
| Buildings | 3,637 | 181 | 0 | 3,818 | 658 | 125 | - | 783 | 3,035 | 2,979 |
| Plant and Machinery | 4,557 | 475 | 35 | 4,997 | 2,391 | 361 | 7 | 2,745 | 2,252 | 2,166 |
| Computers | 3,606 | 225 | 866 | 2,965 | 2,655 | 550 | 865 | 2,340 | 625 | 951 |
| Furniture and fixtures | 1,362 | 87 | 0 | 1,449 | 636 | 132 | 0 | 768 | 681 | 726 |
| Office equipment | 242 | 68 | 23 | 287 | 162 | 20 | 7 | 175 | 112 | 80 |
| Vehicles | 891 | 169 | 139 | 921 | 455 | 183 | 116 | 522 | 399 | 436 |
| Total | 14,325 | 1,205 | 1,063 | 14,467 | 6,957 | 1,371 | 995 | 7,333 | 7,134 | 7,368 |
| Previous Year | 13,182 | 1,472 | 329 | 14,325 | 5,695 | 1,457 | 195 | 6,957 | 7,368 | 7,487 |

Notes to the financial statements

Note 8b - Intangible Assets

(Rupees in lakhs)

| Assets | Gross block | | | As at December 31, 2012 | Upto January 1, 2012 | Depreciation / Amortization | | | Net block | |
|----------------------------------|-----------------------------|-----------|------------|-------------------------------|----------------------------|-----------------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at January 1, 2012 | Additions | Deductions | | | For the year | Disposal/ Adjustments | As at December 31, 2012 | As at December 31, 2012 | As at December 31, 2011 |
| Product Distribution Rights HSPL | 1,060 | - | - | 1,060 | 1,060 | - | - | 1,060 | - | - |
| Computer software | 88 | 15 | 1 | 102 | 39 | 28 | 1 | 66 | 36 | 49 |
| Total | 1,148 | 15 | 1 | 1,162 | 1,099 | 28 | 1 | 1,126 | 36 | 49 |
| Previous year | 1,498 | 29 | 379 | 1,148 | 1,454 | 24 | 379 | 1,099 | 49 | 44 |

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
|--|----------------------------|----------------------------|

Note 9 - Deferred Tax Assets

a) Deferred tax liability

| | | |
|-------------------------------|------|------|
| Depreciation and amortisation | (34) | (38) |
|-------------------------------|------|------|

b) Deferred tax assets

| | | |
|--|-------|-------|
| Provision for doubtful debts | 1,933 | 1,812 |
| Provision for earnest money deposit and security deposit | 79 | 71 |
| Provision for estimated cost to complete | 538 | 716 |
| Provision for compensated absence | 281 | 225 |
| Gratuity | 87 | 21 |
| Bonus | 309 | 269 |
| Others | 1,038 | 960 |

Deferred tax assets (Net)

| | |
|--------------|--------------|
| 4,231 | 4,036 |
|--------------|--------------|

Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
|--|----------------------------|----------------------------|

Note 10 - Long-term Loans and Advances

Unsecured, considered good (unless otherwise stated):

Security deposits

| | | |
|--|------------|--------------|
| Considered good | 821 | 1,048 |
| Considered doubtful | 51 | 51 |
| | <u>872</u> | <u>1,099</u> |
| Less: Allowance for doubtful security deposits | 51 | 51 |
| | <u>821</u> | <u>1,048</u> |

Other loans and advances

| | | |
|---|-------|-------|
| Balances with Government authorities | 7,164 | 6,722 |
| Taxes paid in advance less provisions (current tax) | 3,792 | 3,079 |
| [Net of Provision for tax Rs. 25,572 lakhs(Previous year Rs. 21,961 lakhs)] | | |

| | | |
|--------------|---------------|---------------|
| Total | 11,777 | 10,849 |
|--------------|---------------|---------------|

Notes to the financial statements

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Note 11 - Other Non-current Assets | | |
| Unsecured, considered good (unless otherwise stated): | | |
| Long term trade receivables | | |
| Considered good | 1,359 | 1,788 |
| Considered doubtful | <u>402</u> | <u>596</u> |
| | 1,761 | 2,384 |
| Less: Provision for doubtful debts | <u>402</u> | <u>596</u> |
| Total | <u><u>1,359</u></u> | <u><u>1,788</u></u> |

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Note 12 - Inventories | | |
| Raw materials [includes in transit: Rs. 1,335 lakhs (previous year: Rs. 792 lakhs)] | 6,219 | 6,212 |
| Work-in progress | 281 | 342 |
| Finished goods | 436 | 392 |
| Traded Goods | <u>3,431</u> | <u>1,400</u> |
| Total | <u><u>10,367</u></u> | <u><u>8,346</u></u> |

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Note 13 - Trade Receivables | | |
| Unsecured, considered good (unless otherwise stated) | | |
| Outstanding for a period exceeding six months from the date they are due for payment: | | |
| Considered good | 960 | 619 |
| Considered doubtful | <u>4,579</u> | <u>3,762</u> |
| | 5,539 | 4,381 |
| Others | | |
| Considered good | 36,588 | 34,162 |
| Considered doubtful | <u>178</u> | <u>371</u> |
| | 36,766 | 34,533 |
| Less: Provision for doubtful debts | <u>4,757</u> | <u>4,133</u> |
| Total | <u><u>37,548</u></u> | <u><u>34,781</u></u> |

Notes to the financial statements

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
|--|----------------------------|----------------------------|

Note 14 - Cash and Bank Balances

Cash and cash equivalents

Bank balances

In current accounts

4,042

2,887

Demand deposits (Less than 3 months maturity)

8,268

5,617

12,3108,504

Other bank balances

Long term deposits with maturity more than 3 months but less than 12 months

2,500

9,100

Deposits against bank guarantee

48

35

Unpaid dividend account

19

17

Total14,87717,656

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
|--|----------------------------|----------------------------|

Note 15 - Short-term Loans and Advances

Unsecured, considered good (unless otherwise stated)

Loans and advances to related parties

196

95

Other loans and advances

Earnest money deposit

Considered good

242

247

Considered doubtful

190

170

432417

Less: Provision for doubtful deposits

190

170

242247

Advances recoverable in cash or kind

2,069

567

Security deposits

333

213

Balances with government authorities

939

791

Prepaid expenses

142

225

Advances to employees

1,182

636

Total5,1032,774

Notes to the financial statements

(Rupees in lakhs)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| Note 16 - Other Current Assets | | |
| Unsecured, considered good | | |
| Interest accrued on deposits with banks | 47 | 273 |
| Unbilled services | 1,009 | 893 |
| Contracts in progress (Refer note 38) | 24,827 | 23,529 |
| Total | <u>25,883</u> | <u>24,695</u> |

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
| Note 17 - Revenue from Operations (Gross) | | |
| Revenue from operations (Gross) | | |
| Manufactured products and jobs | 98,998 | 102,800 |
| Traded products | 18,979 | 18,086 |
| Sale of services | 51,321 | 42,638 |
| Other operating revenue | | |
| Scrap sale | 9 | 17 |
| Refund of taxes and duties | 23 | 38 |
| Total | <u>169,330</u> | <u>163,579</u> |

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|
| Note 18 - Other Income | | |
| Interest | | |
| On fixed deposits with banks | 726 | 1,024 |
| On Inter-corporate deposits | - | 6 |
| Liabilities no longer required written back | 155 | 288 |
| Foreign exchange gain (Net) | 199 | 236 |
| Profit on assets sold/ discarded (Net) | - | 5 |
| Miscellaneous income | 39 | 73 |
| Total | <u>1,119</u> | <u>1,632</u> |

Notes to the financial statements

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
|--|---|---|

Note 19a - Cost of Materials Consumed

Raw materials consumed (Refer note 33 and 34)

| | | |
|---|---------------|---------------|
| Opening inventory | 6,212 | 6,148 |
| Add: Purchases (Net) | 83,627 | 84,550 |
| Less: Inventory at the end of the year | 6,219 | 6,212 |
| Cost of raw materials consumed during the year | 83,620 | 84,486 |

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
|--|---|---|

Note 19b - Changes in Inventories of Finished Goods, Work-in-progress and Traded Goods

(Increase)/ Decrease in stock

Stock at the beginning of the year

| | | |
|------------------|--------------|--------------|
| Finished goods | 392 | 432 |
| Work in progress | 342 | 388 |
| Trading goods | 1,400 | 915 |
| Total (A) | 2,134 | 1,735 |

Stock at the end of the year

| | | |
|------------------|--------------|--------------|
| Finished goods | 436 | 392 |
| Work in progress | 281 | 342 |
| Trading goods | 3,431 | 1,400 |
| Total (B) | 4,148 | 2,134 |

(Increase)/ Decrease in stock (A-B)

| | | |
|--|----------------|--------------|
| | (2,014) | (399) |
|--|----------------|--------------|

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
|--|---|---|

Note 20 - Employee Benefit Expenses

| | | |
|---|---------------|---------------|
| Salaries, wages and bonus | 27,412 | 25,780 |
| Contribution to Provident and Other Funds (Refer note 40) | 1,639 | 1,728 |
| Staff welfare expenses | 678 | 847 |
| Total | 29,729 | 28,355 |

Notes to the financial statements

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
|--|---|---|

Note 21 - Finance Cost

| | | |
|--------------|------------------|------------------|
| Interest | <u>34</u> | <u>85</u> |
| Total | <u>34</u> | <u>85</u> |

(Rupees in lakhs)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
|--|---|---|

Note 22 - Other Expenses

| | | |
|--|----------------------|----------------------|
| Power and fuel | 1,016 | 799 |
| Rent [(Refer note 1 (N) & 25] | 1,659 | 1,191 |
| Rates and taxes | 325 | 79 |
| Repairs and maintenance | | |
| Building | 26 | 42 |
| Plant and machinery | 113 | 101 |
| Others | <u>675</u> | <u>756</u> |
| | 814 | 899 |
| Auditors remuneration | | |
| As Auditors | 40 | 41 |
| Others(including tax audit) | 23 | 17 |
| Out of pocket expenses | <u>2</u> | <u>2</u> |
| | 65 | 60 |
| Travelling and conveyance | 9,862 | 7,759 |
| Communication expenses | 724 | 653 |
| Insurance | 140 | 115 |
| Loss on sale / write off of tangible and intangible assets (net) | 21 | 0 |
| Sales commission | 78 | 67 |
| Bad debts written off | 1,131 | 424 |
| Liquidated damages written off | 935 | 723 |
| Provision for doubtful debts | 397 | 802 |
| Corporate overhead allocations (Refer note 42) | 7,150 | 5,069 |
| Directors fees | 4 | 4 |
| Miscellaneous expenses | <u>3,028</u> | <u>2,776</u> |
| Total | <u>27,349</u> | <u>21,420</u> |

Notes to the financial statements

23 Segment Reporting

Business segment has been considered as the primary segment and geographical segment has been considered as the secondary segment. Automation & Control systems being the only business segment constitute one single primary segment in the context of Accounting Standard - 17 on Segment Reporting.

The Company has two geographical segments, viz. Domestic and Exports. Revenue from geographical segments based on location of customers is given below:

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--------------|---|---|
| Domestic | 106,027 | 107,520 |
| Export | 60,046 | 53,784 |
| Total | 166,073 | 161,304 |

(Rupees in lakhs)

Fixed assets used in the Company's business or liabilities contracted have not been identified to any segment as the fixed assets and services are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities is made.

24 Related Party Disclosure

List of related parties (as identified and certified by the Management)

| | | |
|------------|--|---|
| i) | Parties where control exists | |
| | Honeywell Asia -Pacific Inc., Holding Company Honeywell International Inc., Ultimate Holding Company | |
| | Other related parties with whom transactions have taken place during the year: | |
| ii) | Fellow Subsidiaries | |
| | Honeywell Middle East B.V. Honeywell Technology Solutions Qatar Honeywell Tianjin Limited Honeywell Controls and Automation India Pvt. Ltd. Honeywell B.V. Honeywell & Co. Oman L.L.C. Honeywell Pte Ltd. Honeywell Automation & Control Solutions South Africa (Pty) Ltd. Honeywell Kuwait KSC. Automation and Control Solutions, S. de R.L. de C.V. Honeywell Europe N.V. Honeywell Systems (Thailand) Ltd. Honeywell Ltd. (Hong Kong) Enraf B.V. Honeywell Technology Solutions Lab Pvt. Ltd. Pittway Systems Technology Group Europe Ltd. Honeywell Taiwan Inc. | Honeywell International (India) P. Ltd Honeywell Limited Australia Honeywell Limited Honeywell Enraf Americas, Inc. Honeywell Measurex (Ireland) Ltd. Honeywell Turkey Arabia Ltd. Honeywell Controls System Limited Honeywell International Middle East Ltd. MST Technology GMBH Honeywell Security France S.A. Honeywell GMBH Honeywell S.A. (Belgium) Honeywell Airport Systems Gmbh Honeywell s.r.l. UOP India Pvt. Ltd. Honeywell Engineering Sdn. Bhd. Honeywell Co, Ltd. |

Notes to the financial statements

| | | |
|------|---|--|
| | <p>Callidus Technologies India Pvt. Ltd. Honeywell Building Solutions GmbH Novar Systems Ltd. Honeywell Middle East FZE Honeywell Controls International Ltd. Tridium Inc. Honeywell Limited (New Zealand) Honeywell Austria Gesellschaft mbh Honeywell A.B. Matrikon Pty Ltd. Trend Control Systems Ltd. Honeywell (China) Advanced Solutions Co., Ltd. Honeywell Southern Africa (Proprietary) Ltd. Honeywell Japan Inc. Honeywell A/S (Denmark) ADI-Gardiner NV Honeywell China co. Ltd. PT Honeywell Indonesia Life Safety Distribution AG Honeywell Analytics Asia Pacific Co.Ltd. Honeywell Otomasyon ve Kontrol Sistemleri Sanayi ve Ticaret A.S. Honeywell Analytics Inc, Honeywell Xinyao Automotive Sensors (Shanghai) Co. Limited Honeywell Specialty Chemicals (Singapore) Pte. Ltd. Maxon Corporation Honeywell ASCa Inc. Maxon Combustion Equipment (Shanghai) Co.,Ltd. Maxon International BVBA Fire Sentry Corporation Honeywell NV [Belgium]</p> | <p>Honeywell S.L. Honeywell Portugal, Automacao e Contolo, S.A. Honeywell Automation & control Solutions Carribean Ltd. Honeywell AS Norway Honeywell OY Matrikon Middle East Co WLL RMF US Holding GmbH Honeywell International s.a.r.l. Honeywell Sensing & Control China Co, Ltd. Honeywell E.P.E. Honeywell AG Honeywell International 108 LM&C Matrikon Industrial Solutions India Pvt. Ltd. Honeywell Chile S.A. Honeywell Aerospace B.V. Honeywell Turbo Technologies (India) Private Limited Honeywell Electrical Devices and Systems India Limited Honeywell do Brasil Ltda. Honeywell Egypt Limited Honeywell EOOD Honeywell SPA Novar GmbH Enraf Fluid Technology UK Ltd. Ademco Asia Pacific Ltd. Tridium Asia Pacific Pte Ltd. Honeywell BeijingTechnology solution Honeywell Romania s.r.l. Enraf Marine Systems S.A.S. Honeywell Co, Ltd. Honeywell Turbo (India) Private Limited</p> |
| iii. | <p>Key Management Personnel Mr. Anant Maheshwari, Managing Director</p> | |
| | <p>Other related parties with whom transactions have not taken place during the year:</p> | |
| iv) | <p>Fellow Subsidiaries</p> | |
| | <p>Enraf Tanksystem SA Honeywell Safety Products Chuzhou Co., Limited Honeywell Szabalyozastechnikai es Automatizalasi Kft. Sinpoec Honeywell Tianjin Ltd. Honeywell Humanitarian Relief Foundation Inc.</p> | <p>Honeywell ECC novar Matrikon Deutschland AG Novar Controls Corporation Honeywell Specialty Materials Korea Ltd. Notifier Sicherheitssysteme GmbH</p> |

Notes to the financial statements

| | |
|--|---|
| <p>Honeywell C.A. Caradon Friedland Inc. Novar Link Inc. SM Acquisition Corp. Honeywell Analytics Holdings Inc. Integrated Guidance Systems LLC Tampa Waters LLC Microelectronics & Computer Technology Corp. Honeywell Aerospace Professional Services, S. de R.L. de C.V. Honeywell Aerospace De Puerto Rico, Inc. Honeywell Automation Controls System LLP (Kazakhstan) Honeywell Finance (Cyprus) Limited Honeywell Colombia S.A. Honeywell Luxembourg Finance SARL Hand Held Products, Inc. Energy Services Group, LLC Hand Held Products International Limited Honeywell Angola Lda HONEYWELL URUGUAY S.R.L. Innovative Security Systems LLC Honeywell Bermuda Holdings III LP Honeywell International Avionics China Inc. Honeywell International Wheels & Brakes China Inc. Akuacom, LLC E-MON, LLC Honeywell ESCO Hungary Energy Service Company Limited Honeywell Turbo Sp.z.o.o. in liquidation Honeywell Plastics S.A. Asahi-Schwebel (Taiwan) Co., Ltd. Honeywell Specialty Chemicals (Singapore) Pte Ltd. SN-Centro de Pesquisas e Promocao de Sulfato de Amonio Ltda. Honeywell Electronic Materials (Thailand) Co., Ltd. Honeywell International de Mexico, S. de R.L. de C.V. Compania Metalurgica de Parral, S.A. FMP Automotive (Malaysia) Sdn Bhd FMP Group (Australia) Pty Ltd Prestolite International de Mexico, S.A. Norplex Oak India Limited Allied-Signal Global Finance B.V. Honeywell Aerospace Singapore Pte. Ltd.</p> | <p>Duraplug (M) Sdn Bhd Honeywell ACS Ventures LLC Brand-Rex Inc. (Philippines) Honeywell Analytics Asia Pacific Co Ltd Honeywell Global Finance LLC Automation and Control Solutions Holding Mexico, S. de R.L. de C.V. 801 Route 440 Funding Co., LLC Honeywell Building Solutions SES Corporation Honeywell Aerospace Servicios, S. de R.L. de C.V. Northern Computers Internacional Cia. Limitada (Ecuador) MMComm, LLC Honeywell ManageAbility Leasing Company Jamaica LLC Honeywell Capital Management LLC Honeywell Holdings (Thailand) Co., Ltd. Honeywell Aerospace Avionics Malaysia Sdn Bhd UOP Malaysia Sdn Bhd Callidus Technologies, L.L.C. Grimes Aerospace Company Honeywell International Services SRL Honeywell Automation and Control Products Limited Honeywell International Flight Controls China Inc. Honeywell International APU China Inc. Honeywell Iraq LLC Honeywell HBS Solutions LLC Sperian Protection USA, Inc. Honeywell Friction Materials Sp.z.o.o. in liquidation Ademco Brasil Ltda. Honeywell Britannia Finance Ltd Honeywell-Asiatic Pte Ltd. King Radio S.A. Allied Chemical do Brasil Comercio e Participacoes, Ltda. Allied Chemical Nuclear Products, Inc. Compania Industrial de Fluorita, S.A. FMP Group Pty Ltd AlliedSignal Foreign Sales Corporation Rubix Limited Liability Company Cheshire Castings Ltd. Honeywell Systems (Philippines), Inc. Morristown Airport Customs Association Honeywell Optoelectronica S. de R.L. de C.V.</p> |
|--|---|

Notes to the financial statements

| | |
|---|--|
| <p>Universal Assets Inc. CFE Company Light Helicopter Turbine Engine Company Honeywell International Asia Pacific Inc. Honeywell Energy Services Inc. International Auto Parts Limited (a/k/a Interzapchast) Honeywell Technology Solutions Inc. yet2.com Honeywell Aircraft Leasing LLC Honeywell Funding LLC Babcock & Wilcox Technical Services Pantex, LLC Honeywell Holding AG (Switzerland) Honeywell Aerospace s.r.o.</p> | <p>ADI de Mexico S.A. de C.V. BRH LLC (f/k/a Honeywell Intellectual Properties Inc.) AlliedSignal TBS Holdings, Inc. Honeywell, S.A. de C.V. Honeywell Bremsbelag GmbH Alchem Assurance Limited Turbodina S.A.I.y.C. Baker Electronics, Inc. Honeywell Controls, S.A. Friction Materials LLC Cordiem, LLC Xian System Sensor Electronics Ltd. ZAO Honeywell</p> |
| Other related parties with whom transactions have not taken place during the year: | |
| Fellow Subsidiaries | |
| <p>Honeywell Peru S.A. Honeywell Dominicana C. Por A. Honeywell S.A.I.C. Honeywell Federal Manufacturing & Technologies, LLC Authentication Technologies LLC Honeywell Electronic Materials, Inc. Honeywell Resins & Chemicals LLC Vindicator Technologies, Inc. Honeywell HomMed LLC 465 Route 440 Property LLC Novar International PTE Limited MK Electric (Malaysia) SDN BHD MK Electric (Singapore) Pte Ltd Honeywell Building Solutions West, Inc. Aeronautical Communication International LLC Ademco Internacional de Mexico S.A. de C.V. UltraGlas Power Products L.L.C. Honeywell ManageAbility Leasing Company Brazil LLC Honeywell ManageAbility Leasing Company Jamaica LLC</p> | <p>ADI of Puerto Rico, Inc. Honeywell Latinoamericana, S.A. Honeywell Specialty Materials, LLC Honeywell POMS Corp. Honeywell China Inc. Honeywell (Macau) Limited Honeywell Oil & Gas Exploration LLC Bayfront Redevelopment LLC International Turbine Engine Company LLC Select Electric (M) SDN BHD MK Cable Management (Saudi Arabia) Limited MK Electric Zimbabwe (Private) Limited Honeywell Electronic Chemicals LLC AlarmNet, Inc. Honeywell ManageAbility Leasing Company Suriname LLC Honeywell ManageAbility Service Company Suriname LLC HoltraChem Manufacturing Company, L.L.C. Honeywell ManageAbility Service Company Jamaica LLC Pharmaceutical Fine Chemicals Portuguesa Producao e Comercio de Productos Farmaceuticos Lda.</p> |

Notes to the financial statements

Transactions with Related Parties

(Rupees in lakhs)

| Description of the nature of transactions | Volume of transactions during | | Amount Outstanding as at December 31 | | | |
|---|-------------------------------|---------------|--------------------------------------|--------------|--------------|--------------|
| | 2012 | 2011 | 2012 | | 2011 | |
| | | | Receivable | Payable | Receivable | Payable |
| Sale of goods, services and reimbursement of expenses | | | | | | |
| <i>Holding Company</i> | | | | | | |
| Honeywell International Inc. | 29,174 | 20,365 | 2,766 | - | 4,628 | - |
| Total | 29,174 | 20,365 | 2,766 | - | 4,628 | - |
| <i>Fellow Subsidiaries</i> | | | | | | |
| Other Fellow Subsidiaries | 28,145 | 30,842 | 5,460 | - | 6,748 | - |
| Total | 28,145 | 30,842 | 5,460 | - | 6,748 | - |
| Purchase of goods, services and fixed assets (including GIT) | | | | | | |
| <i>Holding Company</i> | | | | | | |
| Honeywell International Inc. | 10,076 | 7,125 | - | 1,460 | - | 867 |
| Total | 10,076 | 7,125 | - | 1,460 | - | 867 |
| <i>Fellow Subsidiaries</i> | | | | | | |
| Honeywell Measurex (Ireland) Limited | 13,179 | 9,245 | - | 2,056 | - | 3,930 |
| Honeywell International (India) Pvt. Limited | 5,555 | 3,758 | - | 921 | - | 282 |
| Other Fellow Subsidiaries | 18,091 | 14,598 | - | 3,893 | - | 4,081 |
| Total | 36,825 | 27,601 | - | 6,870 | - | 8,293 |
| Inter corporate deposits given/received back | | | | | | |
| <i>Fellow Subsidiaries</i> | | | | | | |
| Honeywell Controls and Automation India Pvt. Ltd. | | 350 | | | | |
| Matrikon Industrial Solutions India Pvt. Ltd. | | 30 | | | | |
| Total | - | 380 | - | - | - | - |
| Inter corporate loans taken and repaid back | | | | | | |
| <i>Fellow Subsidiaries</i> | | | | | | |
| Honeywell International (India) Pvt. Limited | | 1,500 | | | | |
| Honeywell Turbo Technologies (India) Pvt. Ltd. | | - | | | | |
| Total | - | 1,500 | - | - | - | - |
| Interest on inter corporate deposits given | | | | | | |
| <i>Fellow Subsidiaries</i> | | | | | | |
| Honeywell Controls and Automation India Pvt. Ltd. | - | 6 | - | - | - | - |
| Matrikon Industrial Solutions India Pvt. Ltd. | - | 0 | - | - | - | - |
| Total | - | 6 | - | - | - | - |
| Interest on Inter corporate loans taken | | | | | | |
| <i>Fellow Subsidiaries</i> | | | | | | |
| Honeywell International (India) Pvt. Limited | | 44 | | | | |
| Honeywell Turbo Technologies (India) Pvt. Ltd. | | - | | | | |
| Total | - | 44 | - | - | - | - |
| Remuneration to Key Management Personnel | | | | | | |
| Anant Maheshwari | 125 | 88 | - | - | - | - |
| Total | 125 | 88 | - | - | - | - |
| Commission | | | | | | |
| Anant Maheshwari | 33 | 33 | - | 33 | - | 33 |
| Total | 33 | 33 | - | 33 | - | 33 |

Notes to the financial statements

The Company generates a large percentage of its sales and profits from its business with the Honeywell group (Honeywell), its major shareholder. Sales to Honeywell accounted for approximately 35% and 32% of our total net sales in fiscal years 2012 and 2011 respectively. The Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors. However, the Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell-specific business considerations (independent of its shareholding in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by the Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company.

25 Lease Transactions**As a Lessee in Operating Lease****Non cancelable**

The Company has hired assets under non-cancelable operating lease arrangements at stipulated rentals. The future minimum lease payments under these leases as of December 31, 2012 are as follows:

(Rupees in lakhs)

| | Not later than 1 year | Later than 1 year but not Later than 5 years | Later than 5 years |
|------------------------|-----------------------|---|--------------------|
| Minimum lease payments | 571 (429) | 2,189 (1,768) | 894 (1,103) |

Cancelable

Rentals paid for computers under operating leases of Rs. NIL [Previous year Rs. 28('lakhs)] have been included under 'Miscellaneous Expenses'.

Rentals for office premises under operating leases of Rs. 709 ('lakhs) [Previous Year Rs. 515 ('lakhs)] have been included under 'Rent Expenses'

Previous year figures are indicated in brackets.

26 Earning Per Share (EPS)

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 have been calculated as under:

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|--|---|---|
| Profit after tax (Rs. in lakhs) | 8,517 | 10,714 |
| Weighted average number of equity shares | 8,841,523 | 8,841,523 |
| Basic/ Diluted earnings per share (Rs.) | 96.33 | 121.18 |
| Face value per share (Rs.) | 10 | 10 |

Notes to the financial statements

- 27 a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) - Rs. 165('lakhs) [Previous year Rs. 148('lakhs)]
- b) Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006

(Rupees in lakhs)

| Sr.No | Particulars | December 31, 2012 | December 31, 2011 |
|-------|--|-------------------|-------------------|
| i) | The principle amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year | | |
| | - Principal amount outstanding | 32 | 197 |
| | - Interest thereon | 0 | 16 |
| ii) | The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| | - Interest paid in terms of Section 16 | - | - |
| | - Delayed principal payments | 599 | 445 |
| iii) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006 | | |
| | - Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms and not as payable under the Act | - | - |
| | - Normal Interest payable during the year, for the period of delay in making payment, as per the agreed terms and not as payable under the Act. | - | - |
| iv) | The amount of interest accrued and remaining unpaid at the end of each accounting year | | |
| | - Total interest accrued during the year | 40 | 23 |
| | - Total Interest remaining unpaid out of the above as at the balance sheet date | 40 | 23 |
| v) | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | | |
| | Outstanding interest at the end of previous year | 71 | 48 |
| | Outstanding interest at the end of current year | 111 | 71 |

The Company has compiled this information based on intimations received from suppliers of their status as Micro or Small enterprises and / or its registration with the appropriate authority under Micro, Small and Medium Enterprises Development Act, 2006.

Notes to the financial statements

- 28 A). Provision for taxation has been made after considering the various allowances / deductions available and after excluding profits derived from undertaking registered with Software Technology Parks of India under section 10A and unit registered under Special Economic Zone under Section 10AA of the Income Tax Act, 1961.
- B). The tax year for the Company being April 1 to March 31, provision for current taxation for the year is the aggregate of the provision made for the three months ended March 31, 2012 and the provision based on the figures for the remaining nine months ended December 31, 2012, the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2012 to March 31, 2013.

29 Foreign Currency Exposures

Unhedged by derivative instruments/ or otherwise

(Rupees in lakhs)

| Particulars | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
| a) Liability - Trade Creditors | | |
| In GBP (Equivalent approximate in Rs.) | 1 133 | 4 316 |
| In USD (Equivalent approximate in Rs.) | 146 8,008 | 126 6,682 |
| In EURO (Equivalent approximate in Rs.) | 10 715 | 23 1,589 |
| In CAD (Equivalent approximate in Rs.) | 0 0 | * 7 |
| In AUD (Equivalent approximate in Rs.) | 1 34 | 2 95 |
| In JPY (Equivalent approximate in Rs.) | – – | 2 1 |
| In SGD (Equivalent approximate in Rs.) | * 4 | * 1 |
| In CNY (Equivalent approximate in Rs.) | 28 243 | – – |
| In NOK (Equivalent approximate in Rs.) | * 1 | – – |
| In ZAR (Equivalent approximate in Rs.) | – – | * 2 |
| In CHF (Equivalent approximate in Rs.) | – – | * 9 |
| In SEK (Equivalent approximate in Rs.) | 1 4 | 1 4 |

Notes to the financial statements

(Rupees in lakhs)

| Particulars | As at December 31, 2012 | As at December 31, 2011 |
|--|----------------------------|----------------------------|
| b) Asset - Trade Receivables | | |
| In GBP (Equivalent approximate in Rs.) | 1 94 | 2 176 |
| In EURO (Equivalent approximate in Rs.) | 2 142 | 4 270 |
| In AUD (Equivalent approximate in Rs.) | * 2 | * 1 |
| In USD (Equivalent approximate in Rs.) | 188 10,351 | 233 12,354 |
| c) Asset - Bank Balances | | |
| In USD (Equivalent approximate in Rs.) | 27 1,506 | 33 1,751 |

* Amount below the rounding off norm adopted by the Company.

30 Employee Stock Option Schemes

The Company has a Employees Stock Option Plans (Stock Options "SO" and Restricted Units "RU") in operation for certain employees, which is administered by Honeywell International Inc. the ultimate holding company. Since the payments/ issue of shares, if any, under the plan are proposed to be made directly by Honeywell International Inc without any chargeback to the Company, no accounting/disclosure for the plan has been made by the Company.

31 Contingent Liabilities

(Rupees in lakhs)

| Particulars | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| a) Income Tax claims against the Company | 6,172 | 5,636 |
| b) Excise duty claims against the Company | 4 | 15 |
| c) Sales tax refunds/claims against the Company | 2,336 | 1,962 |
| d) Customs duty claims against the Company | 292 | 36 |
| e) Claims against the Company not acknowledged as debts | 1,790 | – |

Notes to the financial statements

32 Details of Products Manufactured, Traded and Services Rendered

(Rupees in lakhs)

| | Opening stock | Sales | Closing stock |
|--|-------------------------|-----------------------------|-------------------------|
| i. Manufactured products (net of excise duty) | | | |
| Systems | – | 37,342 | – |
| | – | (17,943) | – |
| Transmitters | – | 4,659 | – |
| | – | (3,850) | – |
| Others (Including bought out and reimbursements) | 392 (432) | 53,772 (78,787) | 436 (392) |
| ii. Traded products | | | |
| Various | 1,400 (915) | 18,979 (18,086) | 3,432 (1,400) |
| iii. Services rendered | | | |
| | – | 51,321 | – |
| | – | (42,638) | – |
| Total | 1,792 (1,347) | 166,073 (161,304) | 3,868 (1,792) |

Previous year figures are indicated in brackets.

33 Details of Raw Materials Consumed

(Rupees in lakhs)

| Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|-----------------------------------|---|---|
| Components for System Integration | 83,620 | 84,486 |
| Total | 83,620 | 84,486 |

34 Details of Imported and Indigenous Components, Stores and Spare Parts Consumed and Percentage of Each, to Total Consumption:

(Rupees in lakhs)

| Particulars | % | For the year ended December 31, 2012 | % | For the year ended December 31, 2011 |
|--------------|----|---|----|---|
| Imported | 49 | 40,975 | 43 | 36,457 |
| Indigenous | 51 | 42,645 | 57 | 48,029 |
| Total | | 83,620 | | 84,486 |

Notes to the financial statements

35 CIF Value of Imports

(Rupees in lakhs)

| Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|------------------|---|---|
| a) Capital goods | 106 | 223 |
| b) Raw materials | 54,533 | 46,294 |
| Total | 54,639 | 46,517 |

36 Expenditure in Foreign Currency

(Rupees in lakhs)

| Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---------------------------------------|---|---|
| 1) Travelling | 6,588 | 5,785 |
| 2) Professional and consultation fees | 48 | 87 |
| 3) Others | 7,238 | 5,669 |
| Total | 13,874 | 11,541 |

37 Earnings in Foreign Currency

(Rupees in lakhs)

| Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|----------------------|---|---|
| FOB value of exports | 29,213 | 21,660 |
| Services | 24,671 | 27,249 |
| Reimbursements | 6,162 | 4,875 |
| Others | 9,572 | 6,708 |
| Total | 69,618 | 60,492 |

Notes to the financial statements

38 Contracts in Progress

(Rupees in lakhs)

| | Particulars | 2012 | 2011 |
|----|---|----------------|---------|
| a) | Aggregate amount recognized as contract revenue | 69,324 | 76,369 |
| b) | In respect of Contracts in Progress as on March 31 | 276,130 | 211,089 |
| | I. Aggregate amount of contract costs incurred and recognized profits (less recognized losses) as at end of the financial year for all contracts in progress up to as at that date. | | |
| | ii. Amount of customer advances received | 532 | 247 |
| | iii. Amount of retentions | 3,019 | 3,114 |
| c) | Gross amount due from customers for contract work | 26,650 | 27,181 |
| d) | Gross amount due to customers for contract work | 1,823 | 3,652 |
| e) | (c) - (d) | 24,827 | 23,529 |

39 Disclosure as required by AS-29

(Rupees in lakhs)

| | Disputed statutory matters | | Warranty [Refer Note 1 (h)] | | Provision for estimated cost to complete on contracts | | Total | |
|---------------------|----------------------------|-------|------------------------------|-------|---|-------|--------------|-------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Opening balance | 1,248 | 1,181 | 500 | 1,339 | 3,531 | 1,842 | 5,279 | 4,362 |
| Additions | 295 | 67 | 704 | 337 | 814 | 2,441 | 1,813 | 2,845 |
| Utilizations | 32 | – | 418 | 252 | – | 752 | 450 | 1,004 |
| Reversals | – | – | 88 | 924 | 2,213 | – | 2,301 | 924 |
| Total | 1,511 | 1,248 | 698 | 500 | 2,132 | 3,531 | 4,341 | 5,279 |
| Current portion | – | – | 462 | 330 | 2,132 | 3,531 | 2,594 | 3,861 |
| Non current portion | 1,511 | 1,248 | 236 | 170 | – | – | 1,747 | 1,418 |

Notes to the financial statements

- A Disputed statutory matters mainly include:
- Provision for disputed statutory matters comprises matters under litigation with Sales Tax and Local authorities.
 - The amount of provision made by the Company is based on the estimate made by the Management considering the facts and circumstances of each case.
To the extent the Company is confident that it may have a strong case that portion is disclosed under contingent liabilities.
 - The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.
- B Provision for Estimated Cost to complete on Contracts
A provision for estimated cost to complete on construction contracts is recognized when it is probable that the contract cost will exceed total contract revenue. The provision shall be utilized as and when the contract gets executed.

40 Disclosures in accordance with Revised AS-15 on "Employee Benefits"**A Defined Contribution Plans**

The company has recognized the following amounts in the statement of profit and loss for the year:

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|--|---|---|
| 1 | Contribution to employees' superannuation fund | 117 | 121 |
| | Total | 117 | 121 |

B Defined Benefit Plans (Gratuity and other Retirement Benefits)**i Changes in the present value of obligation**

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|---|
| 1 | Present value of obligation as at December 1, | 1,715 | 1,391 |
| 2 | Interest cost | 135 | 105 |
| 3 | Past service cost | | - |
| 4 | Current service cost | 331 | 356 |
| 5 | Curtailment cost/(credit) | | - |
| 6 | Settlement cost/(credit) | | - |
| 7 | Benefits paid | (192) | (482) |
| 8 | Actuarial (gain)/loss | 275 | 345 |
| 9 | Present value of obligation as at December 31 | 2,264 | 1,715 |

Notes to the financial statements

ii Changes in fair value of plan assets

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|---|
| 1 | Present value of obligation as at December 1, | 962 | 1,039 |
| 2 | Expected return on plan assets | 101 | 96 |
| 3 | Actuarial gain/(loss) | (28) | 6 |
| 4 | Employers' contribution | 404 | 303 |
| 5 | Assets distributed on settlement | | (321) |
| 6 | Employees' contribution | – | – |
| 7 | Benefits paid | (192) | (161) |
| 8 | Fair value of plan assets as at December 31 | 1,247 | 962 |

iii Amount recognized in the Balance Sheet including a reconciliation of the present value of defined benefit obligation and the fair value of assets

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|---|
| 1 | Present value of funded obligation | 2,264 | 1,715 |
| 2 | Fair value of plan assets | 1,247 | 962 |
| 3 | Net liability recognized in the Balance Sheet | 1,018 | 753 |

In addition to the above, during the year, the Company has provided for Rs. 65 lakhs in respect of the interest shortfall in the provident fund obligation (administered through a trust for eligible employees) on the basis of an actuarial valuation from an independent actuary:

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|---|
| 1 | Present value of funded obligation | 7,084 | 6,016 |
| 2 | Fair value of plan assets | 6,975 | 5,912 |
| 3 | Net liability recognized in the Balance Sheet | 109 | 104 |

iv Expenses recognized in the statement of profit and loss

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|---|
| 1 | Current service cost | 331 | 356 |
| 2 | Past service cost | – | – |
| 3 | Interest cost | 135 | 105 |
| 4 | Expected returns on plan assets | (101) | (96) |
| 5 | Curtailment cost/(credit) | – | – |
| 6 | Settlement cost/(credit) | – | 75 |
| 7 | Net actuarial (gain)/loss | 273 | 259 |
| 8 | Employees' contribution | – | – |
| 9 | Total expenses recognized in the statement of Profit and Loss | 638 | 699 |

Notes to the financial statements

v Percentage of each category of plan assets to total fair value of plan assets

| | Particulars | 2012 | 2011 |
|---|-----------------------|------|------|
| 1 | Insurer managed funds | 100% | 100% |

vi The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

vii The actual return on plan assets is as follows

(Rupees in lakhs)

| | Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|------------------------------|---|---|
| a | Actual return on plan assets | 72 | 102 |

viii Following are the principal actuarial assumptions used as at the balance sheet date

| | Particulars | As at December 31, 2012 | As at December 31, 2011 |
|---|---|----------------------------|----------------------------|
| 1 | Discount rate | 8.10% | 8.50% |
| 2 | Expected rate of return on plan assets | 9.35% | 9.35% |
| 3 | Rate considered for actuarial valuation for PF interest shortfall | 8.25% | 8.50% |
| 4 | Salary escalation rate - management staff | 6.00% | 6.00% |

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

ix The amounts pertaining to defined benefit plans are as follows

(Rupees in lakhs)

| Sr No. | Particulars | As at December 31, 2012 | As at December 31, 2011 | As at December 31, 2010 | As at December 31, 2009 | As at December 31, 2008 |
|--------|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| a | Gratuity plan (funded/unfunded) | | | | | |
| i | Defined benefit obligation | 2,265 | 1,715 | 1,391 | 1,028 | 907 |
| ii | Plan assets | 1,261 | 963 | 1,039 | 634 | 589 |
| iii | Surplus/(deficit) | (879) | (752) | (352) | (394) | (318) |
| iv | Experience adjustment plan liabilities | (205) | (270) | (193) | (87) | |
| v | Experience adjustment plan assets | (28) | 6 | 7 | 5 | |

Notes to the financial statements

x Expected contribution to the funds in the next year

(Rupees in lakhs)

| Particulars | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|----------------|---|---|
| Gratuity | 500 | 500 |
| Provident fund | 580 | 530 |

41 Proposed dividend

The final dividend proposed for the year is as follows.

| Particulars | As at December 31, 2012 | As at December 31, 2011 |
|---|----------------------------|----------------------------|
| On equity shares of Rs. 10 each | | |
| Amount of dividend proposed (Rs. in lakhs) | 884 | 884 |
| Dividend per equity shares (Rs.) | 10 | 10 |

42 The current year charge for Corporate Overhead Allocation includes charge of Rs. 487('lacs) (Previous Year reversal of Rs. 20 lacs) in respect of services rendered in previous year.

43 The financial statements for the year ended December 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended December 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number - FRN 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No: 48125

Place : Pune
Date : February 6, 2013

For and on behalf of the Board

M.N. Bhagwat
Chairman

Anant Maheshwari
Managing Director

Sneha Padve
Company Secretary

Ajay Patil
Chief Financial Officer

Place : Pune
Date : February 6, 2013

Company's Philosophy on the Code of Governance

The revised Corporate Governance Code incorporated in Clause 49 of the Listing Agreement of the Stock Exchanges is applicable to your Company with effect from the financial year January 1, 2006. The Company continues to have Independent Directors on the Board who are actively involved in all the important policy matters. Your Company strives to ensure that it follows the Code of Corporate Governance not only in letter but also in spirit to ensure transparency, accountability and integrity.

Board of Directors

Composition:

The Board comprises of 3 Directors nominated by the Promoters, Honeywell International, 2 Independent Directors and a Managing Director. The Company has an Independent Non-Executive Chairman and one-third of the total number of Directors are Independent Directors [as per Clause 49(I)(A)].

Remuneration of Directors:

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. 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.

A Sitting Fee of Rs. 20,000/- per Board, Audit Committee and Remuneration Committee Meeting and Rs. 10,000/- for Investor Grievance Committee Meetings attended by the Non-Executive Directors is paid to them [as per Clause 49(I) (B)].

Committees of the Board:

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(I)(C)] 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 four times on the following dates during the year ended December 31, 2012 and the gap between two meetings did not exceed four months:

February 9, 2012 April 20, 2012
July 18, 2012 October 18, 2012

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, 2012 are given below:

| Name | Category | No. of Board Meetings attended during 2012 | Attendance at the last AGM held on April 20, 2012 | No. of Directorships in other public limited companies | No. of Committee positions held in other public limited companies | |
|-----------------------------|--|--|---|--|---|--------|
| | | | | | Chairman | Member |
| Mr. M.N. Bhagwat (Chairman) | Independent Non-Executive | 4 | Yes | 3 | 2 | 0 |
| Mr. Shane Tedjarati | Promoter Not Independent Non-Executive | 1 | No | Nil | Nil | Nil |
| Mr. Gerard Willis | Promoter Not Independent Non-Executive | 3 | Yes | Nil | Nil | Nil |

| Name | Category | No. of Board Meetings attended during 2012 | Attendance at the last AGM held on April 20, 2012 | No. of Directorships in other public limited companies | No. of Committee positions held in other public limited companies | |
|--|--|--|---|--|---|--------|
| | | | | | Chairman | Member |
| Mr. Anant Maheshwari (Managing Director) | Executive Director | 4 | Yes | Nil | Nil | Nil |
| Mr. S.L. Rao | Independent Non-Executive | 4 | Yes | 3 | 2 | Nil |
| Mr. Norman Gilsdorf | Promoter Not Independent Non-Executive | 1 | Yes | Nil | Nil | Nil |

Audit Committee :

The Committee is constituted with Mr. S.L. Rao as the Chairman of the Committee and Mr. Gerard Willis and Mr. M.N. Bhagwat as the members [as per Clause 49(II)(A)]. The members of the Committee have the relevant experience in the field of financial reporting and Accounting statements. Ms. Sneha Padve, Company Secretary acts as the Secretary to the Committee. Audit Committee meetings are attended by the Chief Financial Officer, Legal Head and the Company Secretary. The representatives of the Internal Auditors and the Statutory Auditors are invited to the meetings.

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. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the board, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
5. Reviewing with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems.
7. 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.

8. Discussions with internal auditors of any significant findings and follow-up thereon.
9. 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.
10. Discussions with external auditors before the audit commences, about the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee met on the following dates during the year ended 31st December 2012:

| | |
|------------------|------------------|
| February 8, 2012 | April 20, 2012 |
| July 17, 2012 | October 18, 2012 |

Attendance at the Audit Committee Meeting:

| Name of Director | No. of Meetings held | No. of Meetings Attended |
|------------------|----------------------|--------------------------|
| Mr. S.L. Rao | 4 | 4 |
| Mr. G. Willis | 4 | 3 |
| Mr. M.N. Bhagwat | 4 | 4 |

The Audit Committee mandatorily reviews all the information required as per Clause 49 (II) (E).

Remuneration Committee:

The Company had constituted the Remuneration Committee in line with the requirements of Clause 49 of the Listing Agreement. The broad terms of reference are to determine and recommend to the Board, compensation payable and appraisal of the Managing Director's performance.

The Remuneration Committee comprises of the following three Directors of the Company:

| | |
|---------------------|--|
| Mr. M.N. Bhagwat | Chairman-Independent, Non-Executive Director |
| Mr. S.L. Rao | Member-Independent, Non-Executive Director |
| Mr. Norman Gilsdorf | Member-Promoter, Not Independent, Non-Executive Director |

The Committee met on February 6, 2013, to appraise and decide the compensation payable to the Managing Director.

The Company pays remuneration to its Managing 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. 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.

Given below are the details of Remuneration paid to Non-Executive Directors for the year January to December 2012 for attending Board Meetings and various Board constituted Committee Meetings.

Non-Executive Directors:

(Rs. in '000)

| Director | Sitting Fees | Commission | Shareholding |
|------------------|--------------|------------|--------------|
| Mr. M.N. Bhagwat | 190 | 1600 | 700 |
| Mr. S.L. Rao | 180 | 1500 | Nil |

The criteria for determination of commission to non-executive independent directors as approved by the Board include roles, responsibilities and contribution to the Company as Chairman/member of the Board and various Committees of the Board. Criteria also include attendance at the meeting of the Board and various Board Committees.

The Directors nominated by Honeywell do not accept any sitting fees or commission.

Managing Director:

(Rs. in '000)

| Name | Salary & Allowances | Commission for the year 2012 |
|----------------------|---------------------|------------------------------|
| Mr. Anant Maheshwari | 12546 | 3327 |

Period of Contract of MD : 3 years from March 1, 2010 renewed in Board Meeting held on February 6, 2013, subject to approval of shareholders for a further period of 3 years. i.e. upto February 29, 2016.

The Contract may be terminated by either party giving the other party three months' notice or the Company paying three months' salary in lieu thereof.

Severance fees - Nil

Shareholders'/Investors' Grievance Committee :

The Shareholders'/Investors' Grievance Committee is constituted as follows:

Mr. M.N. Bhagwat - Chairman, Independent Non-Executive Director
Mr. Anant Maheshwari - Member - Managing Director

The Committee met on 18th October 2012 during the last financial year.

Name, designation & address of Compliance Officer:

Mrs. Sneha Padve
Company Secretary,
56&57, Hadapsar Indl. Est.
Pune 411 013
Phone: 020-66008187
Fax no. 020-66039800

No. of queries received from the investors from 1.1.2012 to 31.12.2012 comprising of Non-receipt of Dividend Warrants, Non-receipt of securities sent for transfer, Demat etc. 1

No. not solved to the satisfaction of the investor as on 31.12.2012 1

No. of pending share transfers as on 31.12.2012 0

Details on General Meetings:

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

The last three AGMs were held on - 22.04.2010, 21.04.2011 and 20.04.2012

AGM held on 22.04.2010 was held at *Saffire, Honeywell Automation India Limited, Pune 411 013 at 3.00 p.m.*

AGM held on 21.04.2011 was held at *Saffire, Honeywell Automation India Limited, Pune 411 013 at 3.00 p.m.*

AGM held on 20.04.2012 was held at *Saffire, Honeywell Automation India Limited, Pune 411 013 at 3.00 p.m.*

Whether Special Resolutions passed in the last 3 AGMs: No

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 [as per Clause 49(IV)(A)] 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 2012 that are prejudicial to the interest of the Company.

Risk Management:

The Company’s Risk Management Processes ensures that the management controls risks through means of a properly defined framework. This Risk Register is reviewed monthly by the Managing Director and the CFO and also quarterly by the Board of Directors.

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 Legal Head, 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 ensure that the Company is not in violation of laws of any jurisdiction where the Company operates. All Business Unit Heads give a 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.

Whistle Blower Policy:

The Company has put in place a mechanism for the employees to reach out to the business conduct leaders to report any non-compliance and no personnel have been denied access to the Audit Committee.

Code of Conduct:

The board members and senior managerial personnel have affirmed compliance with the Honeywell code of conduct for the current year.

Compliance with Clause 49:

The Company strives to be fully compliant with the non-mandatory requirements of this clause.

1. **The Board:** The Chairman of the Board is based at Mumbai.
2. **Remuneration Committee:** This Committee has been constituted and is responsible for all payments to be made to the Directors.
3. **Shareholder Rights:** The Company publishes the financial results in two newspapers and also uploads them in HAIL website. Therefore, no individual intimations are sent to the shareholders.
4. **Audit Qualifications:** The Company does not have a history of audit qualifications.
5. **Training of Board Members:** All Board members have been made fully familiar with all Business operations of the Company.
6. **Mechanism for evaluating non-executive Board Members:** Such a mechanism already exists.
7. **Whistle Blower Policy:** This policy has been put in place.

Means of Communication:

Quarterly Results:

Which newspapers normally published in:

Economic Times, Maharashtra Times

Any website, where displayed:

www.honeywellautomationindia.com

Whether it also displays official news Releases; and the presentations Made to institutional investors/analysts

Yes

Whether MD&A is a part of Annual Report or not:

Yes

General Shareholder Information**AGM: Date, time and venue-**

May 3, 2013 at 2.00 p.m. at *Honeywell Automation India Limited, 56 & 57, Hadapsar Industrial Estate, Pune 411 013*

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 May 3, 2013.

Financial Calendar -

Year ending December 31

AGM May 3, 2013

Dividend Payment Date -

May 15, 2013

Date of Book Closure -

Tuesday, April 16, 2013 to Tuesday, April 23, 2013 (both days inclusive)

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 2012-13.

Stock Code –

The Stock Exchange, Mumbai :

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

Market Price Data - BSE

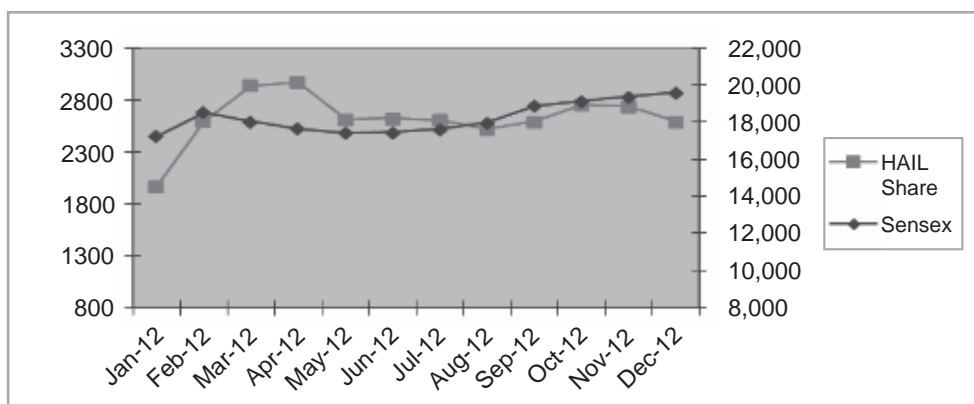
| Month | High | Low |
|----------------|------|------|
| January 2012 | 1968 | 1890 |
| February 2012 | 2595 | 2479 |
| March 2012 | 2942 | 2807 |
| April 2012 | 2972 | 2845 |
| May 2012 | 2614 | 2502 |
| June 2012 | 2624 | 2534 |
| July 2012 | 2606 | 2513 |
| August 2012 | 2519 | 2433 |
| September 2012 | 2590 | 2479 |
| October 2012 | 2753 | 2675 |
| November 2012 | 2740 | 2596 |
| December 2012 | 2594 | 2490 |

NSE Stock Symbol: HONAUT

Market Price Data - NSE

| Month | High | Low |
|----------------|------|------|
| January 2012 | 1969 | 1892 |
| February 2012 | 2594 | 2478 |
| March 2012 | 2938 | 2810 |
| April 2012 | 2975 | 2846 |
| May 2012 | 2615 | 2498 |
| June 2012 | 2628 | 2527 |
| July 2012 | 2608 | 2516 |
| August 2012 | 2515 | 2429 |
| September 2012 | 2576 | 2486 |
| October 2012 | 2757 | 2671 |
| November 2012 | 2745 | 2590 |
| December 2012 | 2594 | 2493 |

Comparison of Monthly Average of BSE SENSEX V/S HAIL Price



Registrar and Share Transfer Agents:

TSR Darashaw Ltd.,
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road, Near Famous Studio,
Mahalaxmi, MUMBAI - 400 011
Tel: (022) 66568484
Fax: (022) 66568494
E-mail: csg-unit@tsrdarashaw.com
Website: <http://www.tsrdarashaw.com>

Share Transfer System:

Share Transfers in physical form can be lodged with TSR Darashaw 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.

Distribution of Shareholding:

| Number of Ordinary Shares held | Number of Shares | |
|--------------------------------|------------------|----------------|
| | 31-12-2012 (%) | 31-12-2011 (%) |
| 1 to 500 | 8.01 | 8.39 |
| 501 to 1000 | 0.95 | 1.00 |
| 1001 to 2000 | 0.67 | 0.85 |
| 2001 to 3000 | 0.29 | 0.29 |
| 3001 to 4000 | 0.49 | 0.34 |
| 4001 to 5000 | 0.21 | 0.25 |
| 5001 to 10000 | 1.07 | 1.41 |
| Over 10000 | 88.31 | 87.47 |
| Total | 100.00 | 100.00 |

Categories of Shareholders:

| Category | No. of shareholders | No. of shares held |
|---|---------------------|--------------------|
| Foreign Promoters | 1 | 6631142 |
| Non Resident Individuals | 228 | 17649 |
| Foreign Institutional Investors | 11 | 34107 |
| Banks | 1 | 1880 |
| Mutual Funds | 19 | 1066061 |
| Central Government / State Governments(s) | 1 | 285 |
| Domestic Companies | 571 | 187381 |
| Resident Individuals | 11322 | 901904 |
| Trust & Charitable Institutions | 6 | 1114 |
| | 12160 | 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. 98.34 % of the Company's share capital is dematerialised as on 31.12.2012.

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) 66039400
Fax: (020) 66039800
E-mail: CorpComIndia@honeywell.com
Website: www.honeywellautomationindia.com

Declaration - Code of Conduct

As per Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management personnel have affirmed compliance with the applicable Honeywell Code of Conduct for the financial year 2012.

For **Honeywell Automation India Limited**

Anant Maheshwari
Managing Director

Place : Pune
Date : February 6, 2013

Auditors' Certificate regarding compliance of conditions of 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 year ended December 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For Price Waterhouse & Co., Bangalore
Firm Registration No. 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Pune
Date : February 6, 2013

HONEYWELL AUTOMATION INDIA LIMITED

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

ATTENDANCE SLIP

I hereby record, my presence at the TWENTY NINTH ANNUAL GENERAL MEETING of the Company at Honeywell Automation India Ltd., 56 & 57 Hadapsar Industrial Estate, Pune 411 013 at 2.00 p.m. on Friday, May 3, 2013.

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.

----- Cut here -----

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 Ninth Annual General Meeting of the Company at Honeywell Automation India Ltd., 56 & 57 Hadapsar Industrial Estate, Pune 411 013 at 2.00 p.m. on Friday, May 3, 2013 and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Signature Shareholder

Affix
Revenue
Stamp

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.