

Board of Directors (As on 06/02/2009)

Mr. M. N. Bhagwat	<i>(Chairman & Independent Director)</i>
Mr. S. S. Tedjarati	<i>(Director)</i>
Mr. N. L. Gilsdorf	<i>(Director)</i>
Mr. G. F. Willis	<i>(Director)</i>
Mr. S. L. Rao	<i>(Independent Director)</i>
Mr. V. M. Kapur	<i>(Managing Director)</i>
Ms. Sneha Padve	<i>(Company Secretary)</i>

Senior Management Team

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

Honeywell Process Solutions

Abraham T. Joy
Biswas Amitava
Joshi Hemant
Kumar Salil
Shah Dharmesh

Honeywell Building Solutions

Dharachar Girish
Godbole Milind
Rao Vasudeva

Environment & Combustion Controls

Pradhan Ninad

Sensing & Controls

Pradhan Sachin

Export Business

Bhatia Vivek
Mirakhur Rohit
Naik Jagdish
Rajagopal KS
Tumkur Savyasachi

Registered Office

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013

Auditors

Price Waterhouse & Co.
Chartered Accountants

Bankers

ABN-Amro Bank N.V.
Citibank N. A.

Registrar & Transfer Agent :

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

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NOTICE is hereby given that the **TWENTY-FIFTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held at **3.00 p.m. on April 16, 2009** in Hotel Le Meridien, RBM Marg, Pune 411 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended December 31, 2008 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. M.N. Bhagwat who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Norman Gilsdorf who was appointed a Director of the Company by the Board of Directors effective February 6, 2009 in the casual vacancy caused by the resignation of Mr. Jack Bolick, and who, in accordance with Section 262 of the Companies Act, 1956, holds office up to the date of the forthcoming Annual General Meeting of the Company, but is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to the provisions of Section 257 of the Act.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED that in supersession of Resolution No.9 passed at the Annual General Meeting of the Company held on September 30, 1996, the consent of the Company be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to borrow from time to time any sum or sums of money which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose, provided that the total amount of monies so borrowed shall not at any time exceed Rs.15000 lakhs (Rupees Fifteen Thousand Lakhs only)."

NOTES:

- a) The relevant details in respect of Item nos. 2 and 3 above, pursuant to Clause 49 of the Listing Agreements are annexed hereto.
- b) The Company's shares are under the compulsory demat list. Shareholders are requested to utilise this facility to their advantage. Shareholders have been sent the ECS facility forms. Shareholders are requested to fill in the forms and take advantage of this facility.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, April 2, 2009 to Thursday, April 9, 2009 (both days inclusive).
- e) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
- f) Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the management to reply at the general meeting.
- g) Members are requested to promptly notify any change in their address to the Company's Registrars & Share transfer Agents, namely, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- h) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 2002 will be transferred to the Investor Education and Protection Fund of the Central Government this year. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 2002 or any subsequent financial years are requested to make their claim to the Office of the Registrar and Transfer Agents;

TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. It may be noted that once the dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.

- i) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.
- j) Shareholders are requested to bring their copy of Annual report to the meeting.

By order of the Board of Directors

Pune, February 6, 2009

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 No. 5:

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot except with the consent of the Company in General Meeting, borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose. At the Annual General Meeting of the Company held on September 30, 1996, the shareholders had accorded their consent to the Board of Directors borrowing upto Rs.5000 lakhs.

In order to finance the future expansion and diversification projects of the Company, the Board considers that the existing borrowing limit should be enhanced to Rs.15000 lakhs. The approval of the Shareholders under Section 293(1)(d) is therefore being sought to enable the Board of Directors to borrow monies to the extent of Rs.15000 lakhs in supersession of the earlier resolution passed on September 30, 1996.

The Directors commend the Resolution for acceptance by the Shareholders.

DETAILS PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENTS

Item No. 3:

Mr. Norman Gilsdorf was appointed as a Director of the Company in the casual vacancy caused by the resignation of Mr. Jack Bolick. Pursuant to Section 262 of the Companies Act, 1956, Mr. Norman Gilsdorf holds office only till the date upto which Mr. Jack Bolick, in whose place he was appointed would have held office, namely, till the date of the forthcoming Annual General meeting. The Company has received a notice in writing from a member as required by Section 257 of the Act, proposing the appointment of Mr. Norman Gilsdorf as a Director of the Company.

Mr. Norman Gilsdorf is President of the Process Solutions business for Honeywell's Automation and Control Solutions group. Mr. Gilsdorf has completed his Chemical engineering degree from Purdue University and has an MBA in international business and finance from the Northwestern University.

The Directors commend the Resolution for acceptance by the Members.

Memorandum of concern or interest :

Mr. Norman Gilsdorf is interested in his aforesaid appointment as the Director of the Company.

Name of Director	Mr. M. N. Bhagwat	Mr. Norman Gilsdorf
Date of Birth	04.06.1932	18.12.1953
Date of Appointment	02.11.2004	06.02.2009
Expertise in specific functional areas	Engineering	Engineering
Qualifications	<ol style="list-style-type: none"> 1. B.E. (Mechanical & Electrical), University of Pune. 2. M.S. Mechanical Engineering, University of Illinois, USA. 3. Diploma in Business Management, Bajaj Management Institute, Mumbai. 	<ol style="list-style-type: none"> 1. Chemical engineering degree from Purdue University. 2. MBA in international business and finance from the Northwestern University.
List of public Companies in which outside Directorships held as on December 31, 2008	Kennametal India Limited Walchand People First Limited Walchand Talent First Limited Orpak Systems Limited	—
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2008	Audit Committee: Kennametal India: Chairman Walchand People First Ltd.: Chairman Walchand Talent First Ltd.: Chairman Orpak Systems Ltd.: Member	—

Dear Members,

The Directors present the **TWENTY-FIFTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2008.

1. FINANCIAL RESULTS :

Particulars	Year ended December 31, 2008 (Rs. in lakhs)	Year ended December 31, 2007 (Rs. in lakhs)
Sales & Other Income	97437	87177
Operating Profit	12691	10466
Less: Interest	72	206
Depreciation	852	1414
Profit for the year	11767	8846
Provision for tax	3986	3107
Deferred Tax Adjustment	(404)	(769)
PROFIT AFTER TAX	8185	6508
Profit brought forward from the previous year	11806	7358
Profit available for appropriations	19991	13866
APPROPRIATIONS		
General Reserve	—	1000
Proposed Dividend	—	884
Tax on proposed dividend	—	150
BALANCE CARRIED FORWARD	19991	11806

2. DIVIDEND :

Your Directors have thought it prudent not to recommend any dividend for the year ended December 31, 2008. This is in line with several initiatives that the Company will carry out to reduce operational costs and conserve cash resources and achieve sustained good performance in 2009 and beyond in the face of tough and challenging economic conditions and market slow down in several of the industries served by your Company. The focus on conserving internally generated cash in the current difficult environment is in the long-term interests of all stakeholders and will enable your Company to continue to invest in 2009 for expansion and upgrade of plant and facilities, incremental working capital and additional selective manpower hiring all towards achieving growth, improved efficiency, productivity and profitability in the years to come.

3. OPERATIONS :

Your Company is an Automation and Control Company providing customers with solutions that are responsive to their expectations for quality and delivery. Our products and solutions deliver productivity, comfort, safety and reliability to customers around the world in industry, commercial and infrastructure settings.

Our customers gain from integrated solutions across the business units whether its products and services those are required or more customized solutions and service. There is efficiency and value across the portfolio that ensures the best solution is brought to the customer based on their needs in which they operate.

Our teams are committed to learning and understanding each customer's business, which will help create the most appropriate solution and understanding of how it differs from what our competitors may propose.

The Company operates in five business units as briefly mentioned below. 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 Power, 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 has started a Child Sponsorship Program in close co-ordination with Sadhana Village, an NGO. We have sponsored 50 children from Kolwan Valley in Mulshi Taluka. This sponsorship monitors child health and education. The funding has been made possible by the contributions from employees. This is used for various CSR activities that HAIL undertook in the past year.

HAIL organized two Blood Donation camps conducted in the Company premises, involving employees. The Company continues its activities with community development work under the employee engagement program called DISHA.

Volunteers also visit 'The School for the Handicapped Children at Wanowrie. Computer classes are organized for these children, besides lessons in English speaking, Mathematics and Science.

5. DIRECTORS :

During the year under review and upto the date of this report, Mr. Jack Bolick, nominee of Honeywell and Mr. Harshavardhan Chitale, Executive Director, resigned as Directors of the Company. The Board places on record its sincere appreciation for the services rendered by them towards the success of this Company. Mr. Shane Tedjarati has been appointed as Director nominated by Honeywell in place of Mr. Chitale and Mr. Norman Gilsdorf has been appointed as Director nominated by Honeywell in place of Mr. Bolick on the Board of the Company.

The Board also appointed Mr. M. N. Bhagwat, Independent Director, as Chairman of the Board, in the Board meeting held on February 6, 2009, with immediate effect.

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. M.N. Bhagwat and Mr. Norman Gilsdorf, 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 2008 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., 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. ACKNOWLEDGEMENT :

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

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

Pune, February 6, 2009

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

Annexure to Directors' Report

A) CONSERVATION OF ENERGY :

2009 was an extremely tough year from energy availability perspective. Extreme power shortages in industrial areas of Pune caused a lot of hardship and high cost of operation. In spite of these testing times, your Company continued to support public/private partnership to supply power to grid. We have also taken measures for more enhanced power monitoring at all consumption points to drive improvement actions.

B) TECHNOLOGY ABSORPTION :

Honeywell Automation India Limited, being an affiliate company of Honeywell International, has access to relevant technology and latest products applicable to its portfolio. We continue to roll out new products and technology in the Indian markets as and when they are rolled out in our part of the world. We also selectively decide to manufacture some products in India depending upon business case.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

	(Rs. '000)
(i) Foreign Exchange Earned	4223116
(ii) Foreign Exchange Used	3372205

HIGHLIGHTS OF PERFORMANCE & MAJOR EVENTS

- Orders up by 28% ↑
- Sales up by 11% ↑
- EBIDTA at Rs.12558 Lakhs, up 21% over the corresponding previous period.
- Consistent Year on Year cash conversion performance.
- Substantial completion of Infrastructure Capacity addition projects through internal accruals.
- Focus of Operational excellence to improve business mix and achieve profitable growth.

INDUSTRY OUTLOOK AND OPPORTUNITIES

Honeywell Automation India Limited (HAIL) operating results are principally driven by Industrial production, Capital spending on Process and Building Automation, Commercial & Infrastructure Construction, commodity price inflation, fire and security concerns and regulations. Some of the important market conditions were

- Continued investment in the infrastructure investments like Roads, Airports, Metro Rail etc, giving impetus to the buildings segment.
- Investments in the power sector both generation and Transmission and Distribution, and Pipelines resulting in volume growth in Process Industries.
- Delayed decision making due to volatile pricing conditions in the Hydrocarbon Industry, resulting into lower growth in the retail and distribution automation investments.
- Poor credit off-take and credit crunch in the Small and Medium enterprise segment, causing extended working capital and lower growth in business driven through channels.
- Demand concerns causing volume shrinkage in Automobiles and the real estate construction segment.

Honeywell Process Solutions (HPS). Solutions that this business offers include Field Instruments, PLC's, Distributed Control Systems, Emergency Shut down Systems (ESD), Quality Controls Systems (QCS), Advanced Software Solutions and various value added services. Overall the business performed well in 2008 and bagged several new contracts from customers across various vertical markets that your Company addresses. These wins include HPCL, IOCL, BPCL, Larsen & Toubro, Tata Power, ACC, BORL, JSW, ONGC, Hindustan Zinc, to name a few of our esteemed customers. Our Advance Services Organization consolidated its position through offering of outcome based services to its' clients. Volatility in the Oil pricing during most part of the year, however, saw delayed decision making amongst certain customers, thus affecting volumes. The business delivered, on schedule, large and complex projects both of technical and geographical complexity.

2009 will be a challenging year; however, given the vast diversity of both, our products and solutions portfolio, we expect to sustain our good performance of 2008 in 2009 as well. We shall rely heavily on continuous investments made in our country in Refining, Power and Gas sectors. Your Company has a strong position in each of these industries and with the available opportunities; we expect to win a fair share of the demand. While your Company has a favorable position in metals and refining business, these Industries are seeing a lack of capital investment and this would partly impact our growth prospects.

Renewed higher threat perception and focus on energy conservation lead to growth potential in Industrial Security and energy efficiency applications where your Company has a strong product/solution portfolio.

Honeywell Building Solutions (HBS) Solutions include, Fire automation, Security solutions, HVAC control, Integrated Building Management Systems, Energy reduction contracts and many other facility management services This business performed well in 2008. Your Company won several new contracts in commercial construction, infrastructure, telecom & IT/ITESG Industrial Market. Some of the major wins included Delhi Airport Terminal 3 Building Management System, Delhi Metro Rail Tunnel Ventilation Control System, several AAI projects, Tata Communications, Tata Consultancy Services, Tech Mahindra, RNA Builders, Lodha Builders and SKF etc. We saw continued expansion of the service portfolio across all major verticals and territories. Energy conservation opportunities along with growth in infrastructure investments have offset the downturn in construction and IT segment. Improved service conversion, uptime commitment and guaranteed energy conservation initiatives helped the business to grow in the solutions space.

The business continues to maintain its pivotal position in the integrated building and security industry and was also recognized by Frost & Sullivan as "Best growth strategy" in building solutions industry.

With our experience, strong solution development capability and compelling value proposition to save energy and increase safety & security, we believe this business is well poised for another good year in 2009. Even though macro trends for this business are mixed (both positive and negative), we expect to drive performance with our diverse offerings.

Environment & Combustion Control (ECC) ECC continued growth momentum in a challenging market. It has launched Halo Series digital thermostats & Solar Water Heaters in Indian market which have received a good response. ECC has won major projects for BMS systems for ITC Gardenia Hotel, Delhi Civic Centre and Jubilant Organosys. Frost & Sullivan recognized ECC with “Best HVAC Company of the Year” and “Best BMS Company of the Year” awards consecutively for the second year in 2008. With the downturn in real estate and commercial construction, we see a drop in the demand for some of our products in ECC. However, we expect to make up the loss in demand by launching new products in 2009. Overall we expect a moderate year for this business.

Sensing & Control (S&C) Despite tough conditions in the transportation industry, Honeywell Sensing and Control could sustain its business performance in 2008 primarily by expanding its presence in multiple industries. Lower volume off-take from the transportation industry was balanced with selective application focus in other industries. Further extended credit environment due to poor credit situation in channels also affected growth.

In 2008, Sensing and Control also expanded Test and Measurement line of business which was integrated in 2007. This product family gave it access to the high performance testing and validation industry. Sensing and Control also received TS 16949 certification for designing and manufacturing automotive sensors. It is a standard mandated by the transportation industry and testimony to Honeywell’s production quality and design innovation processes. Developing solutions in diverse applications across industries will mitigate the continued volume pressure from its key verticals.

Exports Business Group (EBG) business offers product manufacturing, solutions and services to overseas requirements of Honeywell and other customers and continues to show strong growth due to increased flow of work from Honeywell which is further helped by favourable exchange rate. The Export business nearly doubled in 2008. The expansion was driven by constant effort to expand our skill sets and improving operational performance. Honeywell Operating System (HOS) represents holistic approach to operational excellence. The Engineering Services business has achieved Phase V Bronze certification and has pioneered HOS implementation in non-manufacturing site. Expansion of service offerings to other Honeywell companies has diversified the portfolio. This has also resulted in skill expansion within the team and multi-tasking. Knowledge Management is a focus area. An initiative towards increased product ownership for global support has resulted in transfer of technology of multiple products to HAIL. Product Localization and Value Engineering aimed at optimizing product cost have been initiated on a variety of products.

The business also participated in the global initiative of supply chain cost rationalization. The business successfully migrated, some production lines to India, which have since stabilized and are performing as per global expectations. We continue to pursue such global opportunities in the contract manufacturing framework. The Company’s manufacturing facility was awarded Gold Certification for Manufacturing Excellence by Frost & Sullivan India.

The initiative of providing turnkey solutions to global organizations continues to be successful. The business executed on schedule large turnkey global projects.

FINANCIALS

The financial results for 2008 demonstrate another strong stride in achievement of our objectives. Net Sales were up 11% to Rs. 96255 lakhs. Earnings per share grew at 26% to Rs 92.57 continuing to further enhance shareholders value. Cash flow from operations were Rs.997.85 lakhs, a lower operating conversion compared to earlier years, due to increased working capital investment in new manufacturing lines. Your Company continues to generate cash which enables it to invest back the same for its capital commitments and working capital needs. Over the past few years we have worked hard to develop great positions in good industries and reinforce Honeywell five initiatives and twelve behaviors. We have a great foundation for sustained performance in future.

Five Initiatives

The focus on Growth, Productivity, Cash, People and our Enablers has worked to give us direction and performance. They continue to be deployed more rigorously in the organization.

Growth is strong as we concentrate on doing a good job for customer's everyday, sales and marketing excellence, new products, solutions and services.

Productivity is interdependent with growth and we continue to focus in driving substantial year on year improvements.

Cash flow continues to grow and we further strive to improve upon our working capital matrix.

The focus on **People** is essential as it is an ultimate differentiator and we'll continue improving our selection, reward, training and development programs and providing better working environment. People provide the "glue" and the best people, organized correctly and motivated, make all the difference.

Our **Enablers** in particular will generate increased performance and our ability to reduce our cost to serve year on year. Six sigma tools are of considerable benefits in improving every one of our enablers. Honeywell Operating System standardizes work and empowers front line people and eliminates unnecessary process traps. The Company is evaluating various programs around deployment of common systems & common processes for better integration with Honeywell worldwide.

The Company successfully migrated to the Enterprise system of **SAP**, in November 2008. This allows the company to align to global process of Honeywell with one common data base and business intelligence tools in driving productivity, and standardization.

RISKS & CONCERNS

The growth in your Company's business is dependent on the sustaining momentum of the economy – especially continued investments in infrastructure, manufacturing and construction. While fundamentals appear to be strong, the Indian economic picture needs to be cautiously viewed based on political scenario, progress of secondary reforms and global integration. Volatility of exchange rate continues to be a concern due to large exposure to foreign currencies that the company has on account of imports as well as exports.

The current economic situations, with customers postponing decisions on capacity additions, modernization and reducing volumes due to demand contraction, do pose a challenge with respect to growth and volume leverage. Many projects have a long lead cycle in factoring in the current economic uncertainties and hence such opportunities are viewed with caution.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

- **Management Audit**

Your Company has a strong management audit framework. The Audit Committee consists of Promoter Directors & Independent Directors. The Audit Committee meets every quarter to review compliance with internal controls, accounting standards, policies, quarterly accounts etc. The Audit framework includes internal audit, process audits and periodic Honeywell audits for various aspects. Findings of all such audits are presented to the Audit Committee.

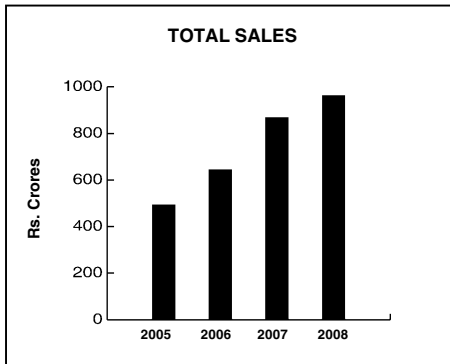
- **Budget Control**

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 MIS 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. The Company has also taken conscious efforts to reduce the cost to serve and eliminate cost of poor quality, while addressing price and volume pressures in tough economic conditions.

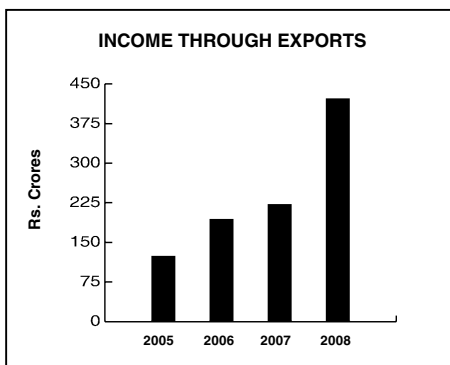
Summary

Another successful year of operations, where in the company realized that in times of moderate growth, we need to focus on operational excellence, driving productivity and rationalizing cost structure. We continue to do a great job for customers every day, which means they'll experience on-time delivery, quality and responsiveness that they expect from an industry leader.

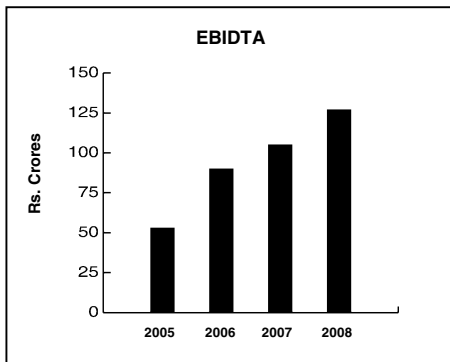
FINANCIAL PERFORMANCE



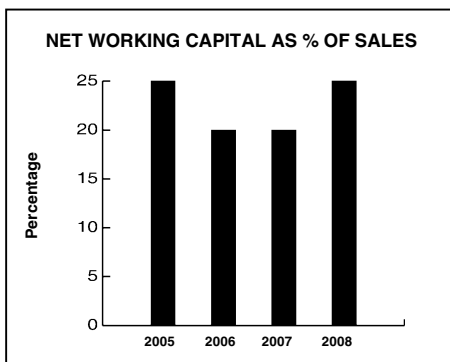
Total sales growth of 11% over the corresponding previous period. Moderate growth in domestic industry offset by growth in exports and new streams of contract manufacturing.



Total export growth of 90% over the corresponding previous period mainly driven by contract manufacturing pertaining to global lines and increase in global engineering services. Rupee depreciation also had a positive impact on exports volumes.



EBIDTA has grown by 21% over the corresponding previous period mainly driven by favourable revenue mix.



The Company continues to focus on driving superior working capital performance, in improving its working capital turns. However the working capital grew in absolute numbers in order to support new revenue lines for contract manufacturing.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include overall global economic conditions, domestic manufacturing and service sector growth, foreign exchange stability and stable credit environment.

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, 2008, and the related Profit and Loss Account 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 said 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors of the Company as on December 31, 2008 and taken on record by the Board of Directors of the Company, none of the directors of the Company is disqualified as on December 31, 2008 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 annexed thereto, give in the prescribed manner the information required by the Act and also 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, 2008;
 - (ii) in the case of the Profit and Loss Account, 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.

Place : Pune
Date : February 6, 2009

Jeetendra Mirchandani
Partner
Membership No. F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Honeywell Automation India Limited on the financial statements for the year ended December 31, 2008]

1. (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 in 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 between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (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 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.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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 and 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 carried out in accordance with the auditing standards generally accepted in India, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(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 Lacs 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.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. 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.
9. (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 the undisputed statutory dues, including provident fund, employees' state insurance, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess 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 sales-tax, income-tax, customs duty, wealth tax, service tax, excise duty and cess as at December 31, 2008 which have not been deposited on account of a dispute, except as follows :

Name of the statute	Nature of dues	Amount* (Rs.'000)	Financial years to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty, including applicable penalty	1,899	2002-03	Customs, Excise and Service Tax Appellate Tribunal
The Customs Act, 1962	Penalty	753	2006-07	Customs, Excise and Service Tax Appellate Tribunal
Maharashtra Sales Tax Act, 1960	Sales Tax / Value Added Tax, including applicable interest	20,737	1999-00 to 2001-02	Maharashtra Sales Tax Appellate Tribunal
Maharashtra Sales Tax Act, 1960	Sales Tax, including applicable interest	18,724	2002-03	Deputy Commissioner of Sales Tax (Appeals)
Maharashtra Sales Tax Act, 1960	Sales Tax / Value Added Tax, including applicable interest	42,238	2004-05	The Company is in the process of filing an appeal with Deputy Commissioner (Appeals)
Gujarat Sales Tax Act,	Sales Tax / Value Added Tax, including applicable interest	900	2000-01 and 2001-02	Assistant Commissioner of Sales Tax (Appeals)
Karnataka Sales Tax Act	Sales Tax / Value Added Tax, including applicable interest	3,437	2004-05	Joint Commissioner of Commercial Taxes (Appeals)
Income-tax Act, 1961	Penalty	91,881	1998-99, 1999-00 and 2001-02	Commissioner of Income Tax (Appeals). Stay against the outstanding demand has been granted to the Company
Income-tax Act, 1961	Income-tax including applicable interest	208,542	2004-05	Commissioner of Income Tax (Appeals).

* Net of amounts paid under protest or otherwise

10. The Company has no accumulated losses as at December 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank, financial institution or debenture holders as at the Balance Sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. 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.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Jeetendra Mirchandani
Partner
Membership No. F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Pune
Date : February 6, 2009

**Balance Sheet as at
December 31, 2008**

**Honeywell Automation India Ltd.
Annual Report 2008**

	Schedule	As At December 31, 2008 (Rs. '000)	As At December 31, 2007 (Rs. '000)
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	88,415	88,415
b) Reserves and Surplus	2	3,073,585	2,255,080
		3,162,000	2,343,495
2. Loan Funds			
a) Secured Loans	3	23,659	19,670
b) Unsecured Loans	4	95,999	108,283
		119,658	127,953
		3,281,658	2,471,448
APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		1,325,060	1,036,728
b) Less: Depreciation/Amortisation		772,380	695,169
c) Net Block		552,680	341,559
d) Add: Capital Work-in-progress		149,943	267,264
		702,623	608,823
2. Deferred Tax Assets [Refer Note 2 (v) of Schedule 16]		197,600	157,175
3. Current Assets, Loans and Advances			
Inventories	6	671,288	354,749
Sundry Debtors	7	3,548,834	2,280,954
Contracts in progress (Refer Note 18 of Schedule 16)		73,336	721,850
Cash and Bank balances	8	194,692	538,505
Loans and Advances	9	960,880	691,904
		5,449,030	4,587,962
Less: Current Liabilities and Provisions	10	3,067,595	2,882,512
Net Current Assets		2,381,435	1,705,450
		3,281,658	2,471,448
Notes to Accounts	16		

Schedules referred to above form an integral part of the Balance Sheet

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

Jeetendra Mirchandani
Partner
Membership No: F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Pune
Date : February 6, 2009

For and on behalf of the Board of Directors

M. N. Bhagwat
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place : Pune
Date : February 6, 2009

**Profit and Loss Account
for the year ended
December 31, 2008**

**Honeywell Automation India Ltd.
Annual Report 2008**

	Schedule	Year Ended December 31, 2008 (Rs. '000)	Year ended December 31, 2007 (Rs. '000)
INCOME FROM OPERATIONS AND OTHER INCOME			
1. Sales	11	9,891,948	8,974,998
Less : Excise Duty recovered		266,444	291,934
Net Sales		9,625,504	8,683,064
2. Other Income	12	118,243	34,733
		9,743,747	8,717,797
EXPENDITURE			
1. Material and Manufacturing Expenses	13	5,390,429	5,193,569
2. Employees' Remuneration and Benefits	14	1,691,958	1,388,372
3. Selling, Administration and Other Expenses	15	1,392,289	1,089,141
4. Interest (Refer Note 6 of Schedule 16)		7,237	20,712
5. Depreciation [Refer Note 1 (f) and 22 of Schedule 16]		85,177	141,358
		8,567,090	7,833,152
Profit Before Taxation		1,176,657	884,645
Provision for Taxation			
Current Tax		309,759	259,682
Deferred Tax		(40,425)	(76,910)
Fringe Benefit Tax		43,818	43,300
Relating to earlier years		45,000	7,700
Profit After Taxation		818,505	650,873
Balance of Profit and Loss Account brought forward		1,180,614	735,808
Profit available for Appropriation		1,999,119	1,386,681
APPROPRIATIONS			
Proposed Dividend		–	88,415
Dividend Distribution Tax		–	17,652
Transfer to General Reserve		–	100,000
Balance carried to Balance Sheet		1,999,119	1,180,614
		1,999,119	1,386,681
Basic/ Diluted Earnings per Share (Face Value Rs. 10 per share) [Refer Note 2 (iv) of Schedule 16]		92.58	73.62
Notes to Accounts	16		

Schedules referred to above form an integral part of the Profit & Loss Account

This is the Profit & Loss A/c referred to in our report of even date.

For and on behalf of the Board of Directors

Jeetendra Mirchandani
Partner
Membership No: F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

M. N. Bhagwat
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place : Pune
Date : February 6, 2009

Place : Pune
Date : February 6, 2009

Schedules

Honeywell Automation India Ltd. Annual Report 2008

Schedules forming part of the Balance Sheet as at December 31, 2008

As At December 31, 2008 Rupees ('000)	As at December 31, 2007 Rupees ('000)
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SCHEDULE - 1 : SHARE CAPITAL

Authorised :

10,000,000 Equity Shares of Rs. 10 each	<u>100,000</u>	<u>100,000</u>
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Issued :

8,841,697 Equity Shares of Rs. 10 each	<u>88,417</u>	<u>88,417</u>
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Subscribed and Paid-up :

8,841,523 Equity Shares of Rs. 10 each, fully paid up	<u>88,415</u>	<u>88,415</u>
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TOTAL

88,415

88,415

Note: 7,182,475 Equity Shares constituting 81.24% of the paid-up capital of the Company are held by Honeywell International Inc., the ultimate holding company, through its 100% subsidiary, Honeywell Asia Pacific Inc.

As At December 31, 2008 Rupees ('000)	As at December 31, 2007 Rupees ('000)
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SCHEDULE - 2 : RESERVES AND SURPLUS

Securities Premium Account	157,708	157,708
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General Reserve As per last Balance Sheet	916,758	817,365
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Less : Transitional effect on account of adoption of AS 15 (Revised 2005) "Employee Benefits"	-	607
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Add : Transferred from Profit and Loss Account	-	100,000
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	<u>916,758</u>	<u>916,758</u>
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Balance in Profit and Loss Account	1,999,119	1,180,614
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TOTAL

3,073,585

2,255,080

Schedules forming part of the Balance Sheet
as at December 31, 2008

As at December 31, 2008 Rupees ('000)	As at December 31, 2007 Rupees ('000)
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SCHEDULE - 3 : SECURED LOANS

Loan from Banks (Repayable within one year Rs. 7,311 ('000); Previous Year Rs. 4,511('000)) [Refer Note 4 (a) of Schedule 16]	22,888	18,157
Finance Lease [Refer Note 2 (iii) of Schedule 16]	771	1,513
TOTAL	23,659	19,670

SCHEDULE - 4 : UNSECURED LOANS

Deferred Sales Tax Liability		
(a) Under the 1987 Package Scheme of Incentives, Govt. of Maharashtra [Due within one year - Rs. 11,580 ('000); Previous Year - Rs. 12,284 ('000)] [Refer Note 4 (b) of Schedule 16]	35,031	47,315
(b) Under the 1993 Package Scheme of Incentives, Govt. of Maharashtra (Due within one year - Rs. Nil; Previous Year - Rs. Nil) [Refer Note 4 (b) of Schedule 16]	60,968	60,968
TOTAL	95,999	108,283

SCHEDULE - 5 : FIXED ASSETS

[Refer Note 1(e), (f), (g), 22 and 23 of Schedule 16]

(Rs. '000)

Assets	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	Cost as on December 31, 2007	Additions during the year	Deletions during the year	Cost as on December 31, 2008	Accumulated Depreciation/Amortisation as on December 31, 2007	Depreciation/Amortisation for the year	Depreciation/Amortisation written back on deletions during the year	Accumulated Depreciation/Amortisation as on December 31, 2008	As on December 31, 2008	As on December 31, 2007
Tangible Assets										
Land	3,024	-	-	3,024	-	-	-	-	3,024	3,024
Buildings	104,705	160,311	-	265,016	23,821	8,421	-	32,242	232,774	80,884
Plant and Machinery	339,602	67,605	1,031	406,176	221,400	19,749	634	240,515	165,661	118,202
Computers	254,884	18,928	23	273,789	209,755	29,578	23	239,310	34,479	45,129
Furniture and Fixtures	117,743	36,450	290	153,903	69,566	4,016	174	73,408	80,495	48,177
Office Equipment	34,661	250	411	34,500	24,647	111	403	24,355	10,145	10,014
Vehicles (Refer Note below)	37,905	13,976	8,215	43,666	17,209	8,440	6,732	18,917	24,749	20,696
Intangible Assets										
Product Distribution Rights HSPL	105,962	-	-	105,962	95,426	10,536	-	105,962	-	10,536
Oracle License	11,646	-	-	11,646	8,753	2,893	-	11,646	-	2,893
Software	26,596	782	-	27,378	24,592	1,433	-	26,025	1,353	2,004
Total	1,036,728	298,302	9,970	1,325,060	695,169	85,177	7,966	772,380	552,680	341,559
Previous Year	1,040,211	92,016	95,499	1,036,728	634,877	141,358	81,066	695,169		
Capital Work in Progress (Including advances on Capital Account)									149,943	267,264
									702,623	608,823

NOTE:

Vehicles include assets acquired on finance lease with a cost of Rs.1,914 ('000) [Previous year Rs. 3,701 ('000)] and a written down value of Rs.455 ('000) [Previous year Rs. 2,059 ('000)].

Schedules forming part of the Balance Sheet
as at December 31, 2008

As at December 31, 2008 Rupees ('000)	As at December 31, 2007 Rupees ('000)
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SCHEDULE - 6 : INVENTORIES(As valued and certified by the Management)
[Refer Note 1(c) of Schedule 16]

Raw Material (Including trading stock of Rs. 82,678 ('000); Previous Year Rs. 69,787 ('000))	561,927	276,658
Raw Material-in-transit	54,836	30,912
Work-in-Progress	20,605	29,633
Finished Goods	33,920	17,546
TOTAL	671,288	354,749

SCHEDULE - 7 : SUNDRY DEBTORS

Sundry Debtors (Unsecured)

Outstanding for a period exceeding six months

- Considered Good	56,800	645,712
- Considered Doubtful	305,039	291,752
Other Debts, considered good (This includes Retention Money not due of Rs. 1,160,464 ('000) Previous Year - Rs. 1,140,769 ('000))	361,839	937,464
Less: Provision for doubtful debts	3,492,034	1,635,242
	305,039	291,752

TOTAL	3,548,834	2,280,954
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SCHEDULE - 8 : CASH AND BANK BALANCES

Cash	92	1,884
Bank Balance with Scheduled Banks		
- On Current Account	149,653	261,048
- On Fixed Deposits	-	251,000
[includes balances in Exchange Earner's Foreign Exchange Currency Accounts equivalent to an amount aggregating to Rs. 50,627 ('000) (Previous Year Rs. 16,386 ('000))]		
Bank Balance with Non-Scheduled Banks		
- ABN Amro Jebel Ali UAE	43,025	22,674
- Lasalle Bank N.A.	1,922	1,899
TOTAL	194,692	538,505
Maximum balance outstanding during the year for the above		
- ABN Amro Jebel Ali UAE	117,820	27,025
- Lasalle Bank N.A.	7,123	3,955

Schedules forming part of the Balance Sheet
as at December 31, 2008

As at December 31, 2008 Rupees ('000)	As at December 31, 2007 Rupees ('000)
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SCHEDULE - 9 : LOANS AND ADVANCES
(Unsecured, Considered Good)

Advances recoverable in cash or in kind or for value to be received	361,323	337,415
Inter-corporate Deposits	344,336	185,000
Balance with Central Excise, Custom Authorities, etc.	39,688	24,404
Advance Income Tax, including tax deducted at source (net of provisions)	215,533	145,085
TOTAL	960,880	691,904

SCHEDULE - 10 : CURRENT LIABILITIES AND PROVISIONS**Current Liabilities**

Acceptances	81,203	206,022
Sundry Creditors		
- Dues to Micro and Small Enterprises [Refer note 3(b) of Schedule 16]	3,549	206,945
- Dues to creditors other than Micro and Small Enterprises	2,401,185	1,705,582
Advance from Customers	271,984	344,518
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956, not due		
- Unclaimed Dividend	1,699	1,634
Other Liabilities	43,668	35,528
	2,803,288	2,500,229

Provisions

Proposed Dividend	-	88,415
Dividend Distribution Tax	-	15,026
Warranty (Refer Note 19 of Schedule 16)	160,086	171,147
Gratuity	31,781	21,804
Compensated Absences	45,827	53,849
Provision for Future Losses on Contracts	26,613	32,042
	264,307	382,283
TOTAL	3,067,595	2,882,512

SCHEDULE - 11 : SALES

[Refer Note 1(b) and Note 2 (i) of Schedule 16]

Products and Jobs	7,128,483	6,895,483
Services rendered	2,763,465	2,079,515
TOTAL	9,891,948	8,974,998

Schedules forming part of the Profit & Loss Account
for the year ended December 31, 2008

Year ended December 31, 2008 Rupees ('000)	Year ended December 31, 2007 Rupees ('000)
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SCHEDULE - 12 : OTHER INCOME

Interest On :

- Fixed Deposit with bank [Gross TDS Rs. 549 ('000), Previous Year Rs. 211 ('000)]	2,421	12,253
- Inter-corporate Deposit [Gross TDS Rs.1,980 ('000), Previous Year Rs. NIL]	10,887	87
Provisions no longer required written back	30,000	8,075
Sundry Credit balances written back	25,364	12,752
Refund of Taxes and Duties	46	878
Foreign Exchange Gain (Net)	46,249	-
Profit on assets sold/ discarded (Net)	1,006	-
Miscellaneous income	2,270	688
TOTAL	118,243	34,733

SCHEDULE - 13 : MATERIAL AND MANUFACTURING EXPENSES

Raw Materials, Components and Services consumed

Opening Stock	307,570	293,606
Add: Purchases	5,618,837	5,117,463
	5,926,407	5,411,069
Less: Closing Stock	616,763	307,570
	5,309,644	5,103,499
(Increase)/ Decrease in Work-in-Progress		
Opening Work-in-Progress	29,633	31,377
Less: Closing Work-in-Progress	20,605	29,633
	9,028	1,744
(Increase)/Decrease in Finished Goods		
Opening Stock	17,546	15,734
Less: Closing Stock	33,920	17,546
	(16,374)	(1,812)
Excise Duty Expense	2,124	21,801
Power and Fuel	53,463	38,750
Other Manufacturing Expenses	8,746	5,194
Repairs and Maintenance		
- Buildings	892	5,444
- Plant and Machinery	15,407	17,631
- Others	7,499	1,318
	23,798	24,393
TOTAL	5,390,429	5,193,569

Schedules forming part of the Profit & Loss Account
for the year ended December 31, 2008

Year ended December 31, 2008 Rupees ('000)	Year ended December 31, 2007 Rupees ('000)
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SCHEDULE - 14 : EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, Wages, Bonus and Allowances	1,514,886	1,235,082
Company's Contribution to Provident Fund and Other Funds	83,954	69,818
Welfare Expenses	93,118	83,472
TOTAL	1,691,958	1,388,372

SCHEDULE 15 : SELLING, ADMINISTRATION AND OTHER EXPENSES

Rent	173,972	121,962
Rates and Taxes	8,211	4,873
Freight and Octroi Outward	67,262	56,218
Travelling	361,512	318,743
Remuneration to Auditors :		
As Auditor	2,700	1,574
Other (Including Tax Audit)	1,300	1,250
Out of pocket expenses	60	36
	4,060	2,860
Insurance	11,449	16,747
Communication Expenses	64,208	62,586
Liquidated Damages written off	10,085	24,806
Bad Debts written off	83,832	39,479
Foreign Exchange Loss (Net)	–	105,673
Provision for doubtful debts	15,541	45,361
Loss on assets sold/ discarded	–	10,382
Sales Commission	4,560	4,934
Corporate Overhead Allocations (Refer Note 21 of Schedule 16)	371,338	12,093
Directors Fees	370	330
Miscellaneous Expenses	215,889	262,094
TOTAL	1,392,289	1,089,141

SCHEDULE - 16

Annexed to and forming part of the Balance Sheet as at December 31, 2008 and the Profit and Loss Account for the year ended December 31, 2008.

NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

a) Basis of Accounting :

The financial statements are prepared under historical cost convention as a going concern on accrual basis and to comply in all material aspects with all the applicable Accounting principles in India, the applicable Accounting Standards notified under Section 211 (3C) and other relevant provisions of the Companies Act, 1956.

b) 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) Income from contractual claims is 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 of accounting.

c) Inventory Valuation :

Raw material spares and components are valued at standard cost, adjusted for price variances and after providing for cost of obsolescence and other anticipated losses, wherever considered necessary.

Work-in-Progress and finished goods are valued at lower of standard cost and net realisable value, and include material cost and cost of conversion.

d) Foreign Currency Transactions :

- i) Realised gains and losses on foreign currency transactions are recognized in the Profit and Loss Account.
- ii) Monetary current assets and monetary liabilities denominated in foreign currency at the year-end are translated at the year-end exchange rates, and the resulting exchange difference is recognized in the Profit and Loss Account.
- iii) Forward contracts in foreign currencies

The Company uses foreign exchange forward contracts and options to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts and options reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Premium or discount arising at the inception of a forward exchange contract assigned to foreign currency assets / liabilities is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized 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 is recognized as income or expense for the period. In the case of other forward contracts, only net loss, if any, arising on the mark-to-market valuation of the contracts at the year-end is recognized in the Profit and Loss account.

Schedule 16 to the Financial Statements – continued

e) **Fixed Assets :**

Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment losses, if any. Cost of fixed assets comprises purchase price, duties, levies and any directly attributable costs of bringing the assets to their working conditions for the intended use, less Cenvat credit. Advances paid towards acquisition of fixed assets outstanding at the Balance Sheet date and the cost of fixed assets not ready for their intended use are disclosed under Capital Work in Progress.

f) **Depreciation :**

Depreciation on fixed assets is computed on straight-line method over their useful lives at rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. The estimated useful lives for various fixed assets are as follows:

Class of Asset	Useful Life
Buildings	30 years
Plant & Machinery	10 years
Demo Equipment	4 years
Computers	3 years
Office Equipment	5-6 years
Furniture and Fixtures	5-10 years
Vehicles	5 years
Intangible Assets (Software)	3 years

The following assets are depreciated / amortised on a straight line method over the period of their estimated useful lives:

- Product distribution rights – HSPL are amortised over a period of 10 years and the amount so amortised is included in depreciation.
- Total Asset Management (TAM) assets are depreciated over the life of the respective contracts, or 7 years, whichever is earlier.
- Software purchased for facilitating order execution is depreciated over a period of 3 years.

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

Assets costing Rs. 5 thousand or less are depreciated fully in the year of purchase.

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

g) **Impairment of Assets :**

The Management periodically assesses, using external and internal resources, whether there is an indication that an asset may be impaired. If an asset is impaired, the Company recognizes an impairment loss as the excess of the carrying amount of the asset over the recoverable amount.

h) **Provisions and Contingent Liabilities:**

Provisions are recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on best estimate required to settle the obligation at the Balance Sheet date. Provisions are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. A disclosure for a contingent liability is made where there is a possible obligation that may, but probably will not, require an outflow of resources.

i) **Employee Retirement Benefits :**i) **Post-Employment Employee Benefits**a) **Defined Contribution Plans:**

The Company has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund and Provident Fund for all employees which are administered by Life Insurance Corporation (LIC) of India and Regional Provident Fund Commissioner respectively. Superannuation Fund and Provident Fund are classified as a defined contribution plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution plans are charged to the Profit and Loss Account as and when incurred.

Schedule 16 to the Financial Statements – continued

b) Defined Benefit Plans:

Funded Plan: The Company has defined benefit plan for Post-employment benefit in the form of Gratuity for management employees which are administered through Life Insurance Corporation (LIC) of India.

Liability for above defined benefit plan is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.

ii) Other Long-term Employee Benefit

Liability for compensated absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary.

iii) Termination benefits are recognized as an expense as and when incurred.

iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year without resorting to any amortisation.

j) Lease Accounting :

i) Assets acquired under financial lease agreements are capitalised at the inception of lease, at lower of the fair value and present value of minimum lease payments, and a liability is created for an equivalent amount. Lease rentals are allocated between the liability and the interest cost, so as to obtain a periodic rate of interest on the outstanding liability for each period.

ii) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments in respect of assets acquired on operating lease are recognized as an expense in the Profit and Loss Account

k) Taxation :

Current Tax

Provision for the current income tax is made in the accounts on the basis of estimated tax liability as per the applicable provisions of the Income Tax Act, 1961.

Deferred Tax

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognized on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

2. Disclosures under Accounting Standards

i) Segment Reporting :

The business segment has been considered as the primary segment and the geographical segment has been considered as the secondary segment. Automation & Control being the only business segment, necessary information has already been given in the Balance Sheet and Profit and Loss Account.

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

(Rs. '000)

	For the year ended December 31, 2008	For the year ended December 31, 2007
Domestic	6,064,795	7,137,086
Exports	3,827,153	1,837,912
Total	9,891,948	8,974,998

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.

Schedule 16 to the Financial Statements – continued

ii) Related Party Disclosures :

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	
	<p>Cara C'Air B.V. Clarostat de Mexico, S. de R.L. de C.V. Comfort Cooling PLC Elmwood Sensors Limited Honeywell (China) Co., Ltd. Honeywell (Tianjin) Limited Honeywell A.B. Honeywell A/S (Denmark) Honeywell A/S (Norway) Honeywell AG (Switzerland) Honeywell Airport Systems GmbH Honeywell Analytics AG Honeywell ASCa Inc. Honeywell Austria Gesellschaft GmbH Honeywell Automation and Control Solutions Sarl Honeywell B.V. Honeywell CentraBuerkle AG Honeywell Co., Ltd. (Korea) Honeywell Control Systems Limited Honeywell Egypt Ltd. Honeywell Engineering SDN. BHD. Honeywell Facility Management GmbH Honeywell GmbH Honeywell Hi-Spec Solutions Limited Honeywell Holdings Pty. Ltd. Honeywell Inc. - Puerto Rico (Not in Law DB) Honeywell International (India) P. Ltd. Honeywell International Asia Pacific Inc. Honeywell International Inc. Honeywell K.K. Honeywell Limited Honeywell Limited (Hong Kong)</p>	<p>Honeywell Middle East B.V. Honeywell NEI Division Honeywell Optoelectronica, S.A. de C.V. Honeywell Otomasyon ve Kontrol Sistemleri Sanayi ve Ticaret A.S. Honeywell OY Honeywell P3 Global It Solutions Honeywell Pte. Ltd. Honeywell S.A. (France) Honeywell S.A. (Belgium) Honeywell S.p.A. Honeywell Safety Management Systems B.V. Honeywell Security & Custom Electronics Honeywell Services, S.A. de C.V. Honeywell Southern Africa (Proprietary) Limited Honeywell Sp.z o.o. Honeywell spol, sro Honeywell Systems (Thailand) Limited Honeywell Taiwan Limited Honeywell Technology Solutions Lab Private Limited Honeywell Tecnologia y Seguridad, S.A. Honeywell, C.A. Honeywell-Measurex (Ireland) Limited (Trading Branch) Petrocom Pittway Systems Technology Group Europe Limited Satronic AG Shanghai C&K Technology Co. Ltd. Novar Controls Trend Control Systems Limited Honeywell Electrical Devices & Systems India Ltd. (Novar India Limited) Honeywell Investment India Private Limited</p>
(iii)	Key Management Personnel	
	Mr. Vimal Kapur, Managing Director	
	Mr. Harshvardhan Chitale, Executive Director upto October 14, 2008	

Schedule 16 to the Financial Statements – continued

Transactions with Related parties (Rs.'000)						
Description of the nature of transactions	Volume of transactions during		Amount outstanding as on December 31,			
	2008	2007	2008		2007	
			Receivable	Payable	Receivable	Payable
Sales of Goods, Services and Reimbursement of Expenses						
<u>Holding Company</u>						
Honeywell International Inc.	991,063	392,730	282,677	–	82,059	–
Total	991,063	392,730	282,677	–	82,059	–
<u>Fellow Subsidiaries</u>						
Honeywell N V	319,479	252,639	143,509	–	(83,706)	–
Honeywell Control Systems Limited	297,267	168,392	88,859	–	33,808	–
Other Fellow Subsidiaries	1,098,834	1,089,462	425,681	–	197,720	–
Total	1,715,580	1,510,493	658,049	–	147,822	–
Purchase of goods, services and fixed assets						
<u>Holding Company</u>						
Honeywell International Inc.	825,768	408,812	–	215,084	–	52,735
Total	825,768	408,812	–	215,084	–	52,735
<u>Fellow Subsidiaries</u>						
Honeywell International India Pvt. Ltd	225,786	38,186	–	12,569	–	2,486
Other Fellow Subsidiaries	1,114,870	1,089,787	–	278,123	–	175,985
Total	1,340,656	1,127,973	–	290,692	–	178,471
Dividend Paid						
<u>Holding Company</u>						
Honeywell Asia Pacific Inc.	71,825	71,825	–	–	–	–
Total	71,825	71,825	–	–	–	–
Inter corporate Deposits given / (taken) - Net						
<u>Fellow subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd	5,050,174	185,000	344,336	–	185,000	–
Honeywell Turbo (India) Pvt. Ltd	40,000	140,000	–	–	–	–
Honeywell Electrical Devices & Systems India Ltd. (Novar India Limited)	–	20,000	–	–	–	–
Honeywell International India Pvt. Ltd.	–	70,000	–	–	–	–
Total	5,090,174	415,000	344,336	–	185,000	–
Interest on Inter corporate Deposit						
<u>Fellow subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd.	9,569	87	–	–	–	–
Honeywell Turbo (India) Pvt. Ltd	1,318	–	–	–	–	–
Total	10,887	87	–	–	–	–

Schedule 16 to the Financial Statements – continued

Related Party Disclosures (continued)

Transactions with Related parties (continued)							(Rs.'000)
Description of the nature of transactions	Volume of transactions during		Amount outstanding as on December 31,				
	2008	2007	2008		2007		
			Receivable	Payable	Receivable	Payable	
Interest on Inter corporate Loans							
<u>Fellow subsidiaries</u>							
Honeywell Electrical Devices & Systems India Ltd. (Novar India Limited)	–	497	–	–	–	–	
Honeywell Turbo Technologies (India) Pvt. Ltd.	253	2,721	–	–	–	–	
Honeywell International India Pvt. Ltd.							
Total	253	3,218	–	–	–	–	
Managerial Remuneration							
<u>Key management personnel</u>							
Harshavardhan Chitale	8,355	10,865	–	–	–	–	
Vimal Kapur	5,002	4,060	–	–	–	–	
Total	13,357	14,925	–	–	–	–	
Commission							
<u>Key management personnel</u>							
Vimal Kapur	3,483	2,762	–	3,483	–	2,762	
Total	3,483	2,762	–	3,483	–	2,762	

iii) Lease Transactions :

As a Lessee in a Finance Lease:

The Company has taken vehicles under finance lease arrangements of three-five years. The future minimum lease payments under these leases as of December 31, 2008 are as follows:

(Rs.'000)

	Due within 12 months		Due between 12-60 months		Total amount due	
	Dec. 08	Dec. 07	Dec. 08	Dec. 07	Dec. 08	Dec. 07
Minimum lease rental payable as on Balance Sheet date	591	841	243	865	834	1,706
Finance Charges payable	55	123	8	70	63	193
Present value of Minimum lease rental payable	536	718	235	795	771	1,513

As a Lessee in an Operating Lease:

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, 2008 are as follows:

(Rs'000)

	Due within 12 months	Due between 12-60 months	Due beyond 60 months	Total amount due
Minimum Lease Payments	30,739 (28,980)	21,239 (31,149)	– (–)	51,978 (60,129)

Rentals paid for equipments under operating leases of Rs. 20,231 ('000) [Previous year Rs. 20,231 ('000)] have been included under 'Manufacturing Expenses'.

Rentals paid for computers under operating leases of Rs. 14,896 ('000) [Previous year Rs. 5,632 ('000)] have been included under 'Rent'. Previous year figures are indicated in brackets.

Schedule 16 to the Financial Statements – continued

iv) Earnings 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 has been calculated as under :

	For the year ended December 31, 2008	For the year ended December 31, 2007
Profit after Tax (Rs. '000)	818,505	650,873
Weighted Average number of Equity Shares	8,841,523	8,841,523
Earning Per Share (Rs.)	92.58	73.62
Face value per share (Rs.)	10.00	10.00

v) Deferred Tax Assets (Net) :

(Rs. '000)

Composition	As at December 31, 2008	As at December 31, 2007
a) Deferred Tax Assets		
Depreciation and Amortisation	5,837	11,509
Provision for Doubtful Debts	108,006	87,271
Cost to Complete	7,786	11,571
Provision for Compensated Absences	15,567	18,303
Bonus	49,885	26,954
Others	10,519	1,567
Deferred Tax Asset	197,600	157,175
Deferred tax charge/credit for the year is as follows :		
Opening Deferred Tax Asset	157,175	79,952
Add : Transitional effect on account of adoption of AS 15 (Revised 2005) Employee benefits	–	313
Less : Closing Deferred Tax Asset	197,600	157,175
Deferred Tax Charge	40,425	(76,910)

3. a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for - Rs. 67,954 ('000) [Previous Year Rs. 18,314 ('000)].

b) Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006.

(Rs. '000)

Sr.	Particulars	December 31, 2008	December 31, 2007
(a)	Principal amount remaining unpaid and Interest due thereon	3,549	206,945
(b)	Interest paid in terms of section 16	–	–
	Delayed principal payments	11,629	–
(c)	Interest due and payable for the period of delay in payment	–	–
(d)	Interest accrued during the year	501	–
	Interest remaining unpaid	501	–
(e)	Interest due and payable even in succeeding years	173	–

The Company has compiled the above information based on confirmations obtained from suppliers.

4. a) The cash credit from Bank is secured by hypothecation of present and future stocks of raw materials, semi- finished goods, finished goods, stores and spares and book debts. The vehicle loans are secured by hypothecation of vehicles.
- b) The sales tax liability of Rs.35,031('000) [Previous Year Rs. 47,315 ('000)], deferred and classified under unsecured loans is repayable, in respect of each year's collection, in six annual installments commencing from the year 2005.
- c) The sales tax liability of Rs.60,968 ('000) [Previous Year Rs. 60,968 ('000)], deferred and classified under unsecured loans is repayable, in respect of each year's collection, in five annual installments commencing from the year 2010.
5. Provision for taxation has been made after considering the various allowances/deductions available and after excluding profits derived from an undertaking registered with Software Technology Parks of India under Section 10A and unit registered under Special Economic Zone under Section 10AA of the Income Tax Act, 1961.

Schedule 16 to the Financial Statements – continued

6. Interest includes interest on fixed loans 2,598 ('000) [Previous Year Rs.12,635 ('000)] and others Rs. 4,639 ('000) [Previous Year Rs.8,077 ('000)].

7. Forward Contracts Outstanding

(Rs.'000)

Particulars	As on December 31, 2008	As on December 31, 2007
In USD (Import Covers) (Equivalent approximate in Rs.)	–	37,403
	–	1,490,078
In GBP (Equivalent approximate in Rs.)	–	1,960
	–	154,751
In EURO (Equivalent approximate in Rs.)	–	2,707
	–	154,842
In USD (Export Covers) (Equivalent approximate in Rs.)	–	34,200
	–	1,363,669

Foreign currency exposures that are not hedged by a forward contract:

(Rs.'000)

Particulars	As on December 31, 2008	As on December 31, 2007
Liability		
In USD (Equivalent approximate in Rs.)	15,243	–
	730,002	–
In GBP (Equivalent approximate in Rs.)	272	–
	19,854	–
In EURO (Equivalent approximate in Rs.)	1,655	–
	107,797	–
In CAD (Equivalent approximate in Rs.)	53	8
	2,102	304
In AUD (Equivalent approximate in Rs.)	482	–
	15,776	5
In JPY (Equivalent approximate in Rs.)	1,811	–
	952	–
In CHF (Equivalent approximate in Rs.)	–	30
	–	1,045
In ZAR (Equivalent approximate in Rs.)	275	152
	1,310	872
In SEK (Equivalent approximate in Rs.)	244	73
	1,481	438
In AED (Equivalent approximate in Rs.)	5	–
	68	–
In NOK (Equivalent approximate in Rs.)	6	–
	42	–
In HKD (Equivalent approximate in Rs.)	15	–
	96	–
Assets		
In USD (Equivalent approximate in Rs.)	23,301	–
	1,107,978	–
In GBP (Equivalent approximate in Rs.)	244	–
	17,879	–
In EURO (Equivalent approximate in Rs.)	676	–
	45,170	–
In SGD (Equivalent approximate in Rs.)	1	1
	31	20
In CHF (Equivalent approximate in Rs.)	1	–
	9	–
In SEK (Equivalent approximate in Rs.)	27	–
	162	–
In AUD (Equivalent approximate in Rs.)	93	–
	3,051	–
In JPY (Equivalent approximate in Rs.)	–	467
	–	164

Schedule 16 to the Financial Statements – continued

8. Employee Stock Option Schemes

Currently there are two Employees Stock Option Plans (Stock Options “SO” and Restricted Units “RU”) in operation – both run by Honeywell Inc. the ultimate holding company as per its global policy.

Brief details of the plans are:

Particulars	ESOP	RU
Vesting Period	2 years	3 years
Maximum Term of Options granted	10 years	7 years

No amount is paid by HAIL to the employees and the payment is made directly by the ultimate parent company to the employees. No liability for unexercised options/ RU is recognised in the books.

Generally, SOs are settled in cash and restricted units are settled in shares. SOs are granted at predetermined prices, whereas for RUs no sum is charged from the employee.

Stock Option Activity under the schemes is as follows:

Particulars	2008				2007			
	SO		RU		SO		RU	
	Number	Weighted Average Exercise Price USD	Number	Weighted Average Exercise Price USD	Number	Weighted Average Exercise Price USD	Number	Weighted Average Exercise Price USD
(a) outstanding at the beginning of the year	25,700	43.1968	9,200	–	22,500	40.7993	9,700	–
(b) granted during the year	8,000	58.4800	6,550	–	8,000	47.3800	2,600	–
(c) forfeited during the year	–	–	–	–	–	–	–	–
(d) exercised during the year	590	36.8042	6,000	–	4,800	38.9308	3,100	–
(e) expired during the year	375	42.2300	–	–	–	–	–	–
(f) outstanding at the end of the year	32,735	47.0581	9,750	–	25,700	43.1968	9,200	–
(g) exercisable at the end of the year	14,735	41.3252	–	–	12,125	39.5009	–	–

During the year 2008, weighted average share price for Stock Options exercised was USD 59.4212 [Previous Year Rate USD 58.5225].

During the year 2008, weighted average share price for Restricted Units vested was USD 54.7550 [Previous Year Rate USD 58.3135].

There were 32,735 Stock Options outstanding at the end of 2008 with exercise prices in the range USD 36.51 to USD 61.03 with a weighted average remaining contractual life of 7.48 years.

There were 9,750 Restricted Units at the end of 2008 with a weighted average remaining contractual life of 6.04 years.

Schedule 16 to the Financial Statements – continued

9. Contingent Liabilities

(Rs.'000)

		December 31, 2008	December 31, 2007
a)	Income tax claims against the Company	402,194	109,645
b)	Excise duty claims against the Company*	1,475	8,635
c)	Sales Tax refunds/claims against the Company*	84,675	153,486
d)	Customs Duty claims against the Company*	4,000	–
e)	Octroi*	–	1,055

* Excludes penalties, if any, relating to penalty proceedings, since the precedence indicate that the probability of levy is remote.

Note :

Bank Guarantees given to customers- against performance/advance.

Bank Guarantees issued Rs. 1,966,153 ('000) [Previous Year Rs. 1,720,748 ('000)] are secured by hypothecation of present and future stocks of raw materials, semi-finished goods, finished goods, stores and spares and book debts.

10. Directors' Remuneration

a)

(Rs.'000)

		For the year ended December 31, 2008	For the year ended December 31, 2007
i)	Salaries & Allowances	12,126	13,627
ii)	Perquisites	117	15
iii)	Contribution to Provident and Superannuation Fund	1,114	1,283
iv)	Commission on Profits		
	- Executive Directors	3,483	2,762
	- Non-Executive Directors	2,000	2,000
		18,840	19,687

Note:

- The above information does not include gratuity contribution made under a group gratuity policy of the Company with LIC, as the amount is not available separately.
- The above information does not include Employee Stock Options, Restricted Units and Share Awards in respect of shares in Honeywell International Inc. (ultimate holding company) granted to the directors.

b) Computation of net profit as per section 349 of the Companies Act, 1956

(Rs.'000)

	December 31, 2008		December 31, 2007	
Profit before taxation as per Profit and Loss Account		1,176,657		884,645
Add :				
Directors' Remuneration and Commission	18,840		19,687	
Provision for Doubtful Debts and Advances	15,541		45,361	
Directors' Sitting fees	370		330	
Depreciation as per books	85,177		141,358	
		119,928		206,736
Less :				
Depreciation under Section 349	85,177		141,358	
		85,177		141,358
Net Profit in accordance with Section 349		1,211,408		950,023
Maximum Commission on Profits payable to Directors (1% of Net Profit)		12,114		9,500
Restricted to		5,483		4,762

Schedule 16 to the Financial Statements – continued

11. Additional Information pursuant to the provision of paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956.

Details of Products Manufactured, Traded and Services Rendered.

(Rs.'000)

	Licensed Capacity	Installed Capacity	Opening Stock		Production	Sales		Closing Stock	
			Qty. (Nos)	Value		Qty. (Nos)	Qty. (Nos)	Value	Qty. (Nos)
(i) Manufactured Products									
Systems	**	*	–	–	97	97	773,978	–	–
	**	*	–	–	(143)	(143)	(1,044,940)	–	–
Transmitters	–	–	308	5,041	8,689	8,067	169,712	930	18,224
	–	–	(101)	(2,584)	(9,146)	(8,939)	(167,711)	(308)	(5,041)
Others (including Bought Outs and Reimbursements)				12,505 (13,150)			5,183,311 (4,794,459)		15,696 (12,505)
(ii) Traded Products				69,787			1,001,482		82,678
Various				(44,334)			(888,373)		(69,787)
(iii) Services Rendered							2,763,465 (2,079,515)		
Total				87,333 (60,068)			9,891,948 (8,974,998)		116,598 (87,333)

* Not quantifiable as the size/mix of the system varies according to customers' requirements.

Previous year figures are indicated in brackets.

** Not Applicable

12. Details of Raw Materials Consumed :

(Rs.'000)

Description	Qty.	For the year ended December 31, 2008	For the year ended December 31, 2007
Components for System Integration	Lot	5,309,644	5,103,499
Total		5,309,644	5,103,499

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

(Rs.' 000)

Description	%	For the year ended December 31, 2008	%	For the year ended December 31, 2007
Imported	53	2,816,685	63	3,215,204
Indigenous	47	2,492,959	37	1,888,295
Total		5,309,644		5,103,499

Schedule 16 to the Financial Statements – continued

14. CIF Value of Imports :

(Rs. '000)

Description		For the year ended December 31, 2008	For the year ended December 31, 2007
a)	Capital Goods	12,359	18,562
b)	Raw Materials	2,775,217	2,819,425
	Total	2,787,576	2,837,987

15. Expenditure in Foreign Currency :

(Rs. '000)

Description		For the year ended December 31, 2008	For the year ended December 31, 2007
a)	Travelling	275,791	270,519
b)	Others	236,467	107,001
	Total	512,258	377,520

16. Dividend remitted during the year to non-resident Shareholders :

(Rs. '000)

Description		For the year ended December 31, 2008	For the year ended December 31, 2007
Amount of Dividend		72,371	72,970
Pertaining to Financial Year		2007	2006
Number of non-resident shareholders		127	116
Number of shares held		7,237,088	7,297,040

17. Earnings in Foreign Currency :

(Rs. '000)

Description		For the year ended December 31, 2008	For the year ended December 31, 2007
FOB Value of Exports		1,590,272	485,500
Services		2,236,881	1,352,412
Reimbursements		395,963	383,532
Total		4,223,116	2,221,444

18. Contracts in Progress :

(Rs. '000)

	Particulars	For the year ended December 31, 2008	For the year ended December 31, 2007
A)	Aggregate amount recognized as Contract Revenue	5,349,304	5,312,442
B)	In respect of contracts in progress as on December 31		
	i) Aggregate amount of Costs incurred and recognized profits less recognized losses up to December 31	14,008,486	11,025,538
	ii) Amount of Customer Advances received	84,293	220,610
	iii) Amount of retentions	1,034,576	1,061,826
C)	Gross amount due from customers for contract work	801,012	1,022,980
D)	Gross amount due to customers for contract work	727,676	301,132

Schedule 16 to the Financial Statements – continued

19. Disclosure as required by AS 29 – Provisions:

(Rs. '000)

	Disputed Statutory Matters	Warranty	Total
Opening Balance	81,683 (43,683)	171,147 (92,625)	252,830 (136,308)
Additions	22,000 (40,500)	56,447 (135,761)	78,447 (176,261)
Utilisation	– (–)	67,508 (57,239)	67,508 (57,239)
Reversals	40,931 (2,500)	– (–)	40,931 (2,500)
Closing Balance	62,752 (81,683)	160,086 (171,147)	222,838 (252,830)

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.
- Previous year figures are indicated in brackets.

20. Disclosures in accordance with Revised AS - 15 on "Employee Benefits" :

(A) Defined Contribution Plans :

The Company has recognised the following amounts in the Profit and Loss Account for the year:

(Rs. '000)

		For the year ended December 31,	
		2008	2007
(i)	Contribution to Employees' Provident Fund	27,981	19,566
(ii)	Contribution to Employees' Family Pension Fund	15,833	12,814
(iii)	Contribution to Employees' Superannuation Fund	9,393	11,393
	Total	53,207	43,773

(B) Defined Benefit Plan (Gratuity) :

(i) Changes in the Present Value of Obligation

(Rs. '000)

		For the year ended December 31,	
		2008	2007
(a)	Present Value of Obligation as at Jan 1	70,023	43,070
(b)	Interest Cost	3,991	3,359
(c)	Past Service Cost	–	–
(d)	Current Service Cost	16,557	12,291
(e)	Curtailment Cost/(Credit)	–	–
(f)	Settlement Cost/(Credit)	–	–
(g)	Benefits Paid	(5,759)	(5,732)
(h)	Actuarial (Gain)/Loss	5,909	17,035
(i)	Present Value of Obligation as at Dec 31	90,721	70,023

Schedule 16 to the Financial Statements – continued

(ii) Changes in the Fair value of Plan Assets

(Rs. '000)

		For the Year Ended December 31,	
		2008	2007
(a)	Present Value of Plan Assets as at Jan 1	48,219	37,503
(b)	Expected Return on Plan Assets	4,762	4,229
(c)	Actuarial Gain/(Loss)	528	–
(d)	Employers' Contributions	11,190	12,219
(e)	Employees' Contributions	–	–
(f)	Benefits Paid	(5,759)	(5,732)
(g)	Fair Value of Plan Assets as at Dec 31	58,940	48,219

(iii) Amount recognised in the Balance Sheet including a reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets

(Rs. '000)

		As on December 31,	
		2008	2007
(a)	Present Value of Funded Obligation	90,721	70,023
(b)	Fair Value of Plan Assets	58,940	48,219
(c)	Net Liability recognised in the Balance Sheet	31,781	21,804

(iv) Expenses recognised in the Profit and Loss Account

(Rs. '000)

		For the Year Ended December 31,	
		2008	2007
(a)	Current Service Cost	16,557	12,292
(b)	Past Service Cost	–	–
(c)	Interest Cost	3,991	3,359
(d)	Expected Return on Plan Assets	(4,762)	(4,229)
(e)	Curtailment Cost/(Credit)	–	–
(f)	Settlement Cost/(Credit)	–	–
(g)	Net actuarial (Gain)/Loss	5,381	17,035
(h)	Employees' Contribution	–	–
(i)	Total Expenses recognised in the Profit and Loss Account	21,167	28,457

(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at December 31,

		2008	2007
(a)	Government of India Securities	0%	0%
(b)	Corporate Bonds	0%	0%
(c)	Special Deposit Scheme	0%	0%
(d)	Equity Shares of Listed Companies	0%	0%
(e)	Property	0%	0%
(f)	Insurer Managed Funds	100%	100%
(g)	Others	0%	0%

(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.

Schedule 16 to the Financial Statements – continued

(vii) The Actual Return on Plan Assets is as follows : (Rs. '000)

Sr.	Particulars	2008	2007
(a)	Actual return on plan assets	5,290	4,229

(viii) Following are the Principal Actuarial Assumptions used as at the balance sheet date : (Rs. '000)

Sr.	Particulars	As on December 31,	
		2008	2007
(a)	Discount Rate	5.70%	7.80%
(b)	Expected Rate of Return on Plan Assets	9.35%	7.50%
(c)	Salary Escalation Rate - Management Staff	6.00%	9.00%

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

21. During the year, the Company has accounted for corporate overhead allocation, in respect of various services rendered by Honeywell group companies, aggregating Rs. 371,338 ('000) with effect from January 1, 2007. Out of the above, Rs. 154,862 ('000) are in respect of services rendered in the year 2007.
22. During the previous year, the Company had revised its estimated useful lives of all assets (except land). As a result, additional depreciation charge for the previous year was Rs. 50,122 ('000).
23. Based on an exercise to ascertain impairment, if any, in the carrying amount of fixed assets, the Company had in the previous year provided for an impairment loss of Rs. 8,769 ('000) in Product Distribution Rights.
24. Beginning January 1, 2007, the Company had refined its accounting practice for revenue recognition under the Accounting Standard 7 (AS-7). Consequent to this refinement the profit before tax for the previous year was higher by Rs. 36,000 ('000).
25. Prior year comparatives have been regrouped, reclassified to conform to the current year presentation, wherever applicable.
26. Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 is set out in the Annexure.

Signatures to Schedules 1 to 16 forming part of the Balance Sheet as at December 31, 2008 and the Profit and Loss Account for the year ended December 31, 2008.

For and on behalf of the Board of Directors

Jeetendra Mirchandani
Partner
Membership No. F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

M. N. Bhagwat
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place : Pune
Date : February 6, 2009

Place : Pune
Date : February 6, 2009

**Cash Flow Statement
for the year ended
December 31, 2008**

**Honeywell Automation India Ltd.
Annual Report 2008**

Particulars	Year ended December 31, 2008 (Rs. '000)	Year ended December 31, 2007 (Rs. '000)
A Cash Flow From Operating Activities		
Net Profit Before Tax	1,176,657	884,645
Adjusted for		
Depreciation	85,177	141,358
Interest charged	7,237	20,712
Interest earned	(13,308)	(12,340)
(Profit)/Loss on sale of assets	(1,006)	10,382
Unrealised Exchange (Gain)/ Loss (net) on restatement of foreign currency assets and liabilities	19,709	(2,617)
Operating profit before working capital changes and other adjustments	<u>1,274,466</u>	<u>1,042,140</u>
Adjustments for		
Trade & other receivables	(678,267)	(581,532)
Inventories	(316,539)	(14,033)
Trade & other payables	<u>289,150</u>	<u>593,959</u>
Cash generated from operations	568,810	1,040,534
Direct taxes paid	<u>(469,025)</u>	<u>(353,992)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>99,785</u>	<u>686,542</u>
B Cash Flow from Investing Activities		
Purchases of fixed assets including Capital Work In Progress	(180,981)	(240,101)
Proceeds from sale of fixed assets	3,010	-
Inter Corporate Deposits (Net)	(159,336)	(185,000)
Interest Received	<u>12,617</u>	<u>12,062</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(324,690)</u>	<u>(413,039)</u>
C Cash Flow from Financing Activities		
Borrowings (net of repayments)	(8,295)	2,603
Interest Paid	(7,237)	(20,712)
Dividend paid	<u>(103,376)</u>	<u>(100,533)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(118,908)</u>	<u>(118,642)</u>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	<u>(343,813)</u>	<u>154,861</u>
CASH & CASH EQUIVALENTS - OPENING BALANCE	538,505	386,270
CASH & CASH EQUIVALENTS - CLOSING BALANCE	194,692	538,505

NOTES:

1. The above Cash Flow statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS) - 3 on Cash Flow Statements.
2. Prior year comparatives have been reclassified to confirm with current year's presentation, where applicable.
3. Cash and cash equivalents include cash and bank balances.
4. Figures in brackets represent out flows of cash and cash equivalents.

**This is the Cash Flow referred to in
our report of even date**

Jeetendra Mirchandani
Partner
Membership No. F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Pune
Date : February 6, 2009

For and on behalf of the Board of Directors

M. N. Bhagwat
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place : Pune
Date : February 6, 2009

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Annexure (continued)

Item Code (ITC Code) 9 0 3 2 8 9 . 0 4

Product Description D I S T R I B U T E D C O N T R O L
S Y S T E M S

Item Code (ITC Code) 8 5 3 2 2 0 . 0 0

Product Description B U I L D I N G C O N T R O L
S Y S T E M S

Item Code (ITC Code) 9 0 2 6 8 0 . 0 9

Product Description S M A R T T R A N S M I T T E R S

For and on behalf of the Board of Directors

M. N. Bhagwat
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place : Pune
Date : February 6, 2009

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 has put in its best efforts to ensure that it follows the Code of Corporate Governance not only in letter but also in spirit to ensure transparency, accountability and integrity and will continue to do so in future.

Board of Directors

Composition :

The Board appointed Mr. M.N. Bhagwat, Independent Director, as Chairman of the Board, in the Board meeting held on February 6, 2009, with immediate effect.

The Board comprises of 3 Non-Executive Directors nominated by Honeywell, 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 Independent Directors (NEIDs) 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, Remuneration Committee and Committee of Directors 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 31st December 2008 and the gap between two meetings did not exceed four months:

24th January 2008 9th April 2008 28th July 2008 14th October 2008

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, 2008 are given below:

Name	Category	No. of Board meetings attended during 2008	Attendance at the last AGM held on April 9, 2008	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Jack Bolick* (Chairman)	Promoter Not Independent Non-Executive	2	Yes	Nil	Nil	Nil
Mr. Shane Tedjarati**	Promoter Not Independent Non-Executive	1	No	Nil	Nil	Nil
Mr. Gerard Willis	Promoter Not Independent Non-Executive	3	No	Nil	Nil	Nil

Name	Category	No. of Board meetings attended during 2008	Attendance at the last AGM held on April 9, 2008	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Harshavardhan Chitale** Vice-Chairman	Executive Director	2	No	Nil	Nil	Nil
Mr. Vimal Kapur Managing Director	Executive Director	4	Yes	Nil	Nil	Nil
Mr. M.N. Bhagwat Chairman wef 6/2/2009	Independent Non-Executive	4	Yes	4	3	1
Mr. S.L. Rao	Independent Non-Executive	4	Yes	5	3	3
Mr. Norman Gilsdorf*	Promoter Not Independent Non-Executive	–	No	Nil	Nil	Nil

*Mr. Norman Gilsdorf was appointed on 6/2/2009 as a Director in place of Mr. Jack Bolick, who resigned from the Board, consequent to his retirement from Honeywell.

**Mr. Shane Tedjarati was appointed on 14/10/2008 in place of Mr. Harshavardhan Chitale, who resigned from the Board due to other commitments.

Code of Conduct :

The Code of Conduct has been laid down for the entire Company. The code has also been extended to the Board of Directors of the Company. The Managing Director affirms that the Board and the senior management of the Company have affirmed compliance with the code. [as per Clause 49(I)(D)]

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 Accounting and Financial Management. Ms. Sneha Padve, Company Secretary acts as the Secretary to the Committee. Audit Committee meetings are attended by the Chief Financial Officer and the Company Secretary. The representatives of the Internal Auditors and the Statutory Auditors are being invited to the meetings.

The terms of reference of the Audit Committee as stipulated by the Board are in accordance with the guidelines listed in Clause 49 (II)(D) of the Listing Agreement.

The Audit Committee met on the following dates during the year ended 31st December 2008:

January 23, 2008 April 8, 2008 July 28, 2008 October 13, 2008

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	3

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.

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, 2009, 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).

In view of the tough economic conditions ahead, all employees of Honeywell belonging to Band 5 have decided to forgo any increase in their base compensation for 2009 and hence the Managing Director's (Honeywell Band 5) base salary for 2009 will be maintained at the same rate as that paid in 2008. However, growth units/stock plan will be paid as applicable.

The Board fixes a ceiling on perquisites and allowances as a percentage of salary. Commission is calculated with reference to the net profit of the Company in a particular financial period and is determined by the Board of Directors at the end of the financial period based on the recommendations of the Remuneration Committee, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956.

Given below are the details of Remuneration paid to Non-Executive Independent Directors for the year January to December 2008 for attending Board Meetings and various Board constituted Committee Meetings.

Non-Executive Directors :

(Rs. in '000)

Name	Sitting Fees	Commission	Shareholding
Mr. M.N. Bhagwat	190	1000	700
Mr. S.L. Rao	180	1000	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 2008
Mr. Vimal Kapur	5003	3483

Period of Contract of MD : 5 years from November 1, 2006
The Contract may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.
Severance fees – Nil

Shareholders'/Investors' Grievance Committee :

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

Mr. M.N. Bhagwat	–	Chairman, Independent Non-Executive Director
Mr. Vimal Kapur	–	Member, Managing Director

The Committee met on 14th October 2008 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 : 020-66039505
Fax No.: 020-66039800

No. of queries received from the investors from 1.1.2008 to 31.12.2008 comprising of Non-receipt of Dividend Warrants, Non-receipt of securities sent for transfer, Demat etc. 129
No. not solved to the satisfaction of the investor as on 31.12.2008 0
No. of pending share transfers as on 31.12.2008 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 – 21.04.2006, 13.04.2007 and 09.04.2008
AGM held on 21.04.2006 was held at *Hotel Le Meridien, RBM Road, Pune 411 001 at 3.30 p.m.*
AGM held on 13.04.2007 was held at *Hotel Le Meridien, RBM Road, Pune 411 001 at 11.00 a.m.*
AGM held on 09.04.2008 was held at *Hotel Blue Diamond, Koregaon Park, Pune 411 001 at 2.30 p.m.*

Whether Special Resolutions passed in the last 3 AGMs : Yes

Year	Location	Date	Special Resolution Passed
2007	Hotel Le Meridien, RBM Road, Pune	13.04.2007	Statutory Records to be kept at new location of TSR Darashaw
2007	Hotel Le Meridien, RBM Road, Pune	13.04.2007	Payment of Commission to Non-Executive Directors

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 2008 that are prejudicial to the interest of the Company.

Risk Management:

Our risk management procedure 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 ensures that the Company is not in violation of laws of any jurisdiction where the Company operates. All Business Unit Heads give Compliance Certificate to the Managing Director of the Company. The Compliance Officers ensure that the business operations of the Company are not in contravention of any laws.

Whistle Blower Policy :

The Company has put in place a mechanism for the employees to reach out 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 code of conduct for the current year.

Compliance with Clause 49 :

The Company is striving 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 the SEBI's (EDIFAR) 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 are given adequate learning in the way the business operates through detailed planning meetings and other such activities.
6. **Mechanism for evaluating non-executive Board Members:** Evaluation of Board members is done periodically.
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

Yes

Releases; and the presentations

Made to institutional investors/analysts

Whether MD&A is a part of Annual

Report or not :

Yes

General Shareholder Information

AGM: Date, time and venue -

April 16, 2009 at 3.00 p.m. at the

Hotel Le Meridien, RBM Road, Pune 411 001.

As required under clause 49 VI (A), particulars of Directors seeking reappointment are given in the details annexed to the Notice of the Annual General Meeting to be held on April 16, 2009.

Financial Calendar -

Year ending

December 31

AGM

April 16, 2009

Dividend Payment Date -

No Dividend has been declared by the Company.

Date of Book Closure -

Thursday, April 2, 2009 to Thursday, April 9, 2009
 (both days inclusive)

Listing on Stock Exchanges -

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

Bombay Stock Exchange

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 2008-09.

Stock Code – Bombay Stock Exchange :
Equity Shares (physical form) : 174
(demat form) : 517174

Market Price Data – BSE

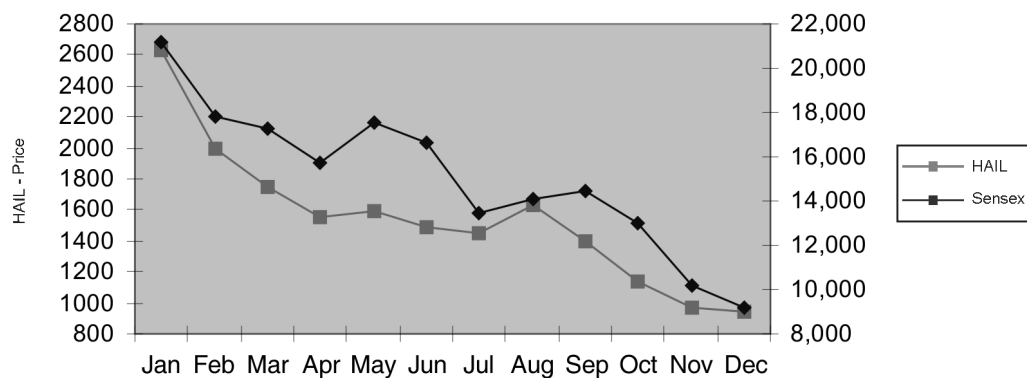
	The Stock Exchange, Mumbai (in Rs.)			
	High	Low	Avg. Volume per day (No. of shares)	Avg. No. of Trades per day
January 2008	2624.95	1600.00	2502	249
February 2008	1990.10	1535.00	1234	132
March 2008	1751.00	1309.10	2095	102
April 2008	1550.00	1388.25	2393	94
May 2008	1596.00	1300.00	1210	64
June 2008	1493.45	1197.00	548	66
July 2008	1450.00	1175.00	577	54
August 2008	1625.00	1251.00	255	35
September 2008	1400.00	990.00	745	68
October 2008	1140.00	740.00	889	99
November 2008	975.00	711.00	360	46
December 2008	949.00	692.00	653	52

NSE Stock Symbol: HONAUT

Market Price Data – NSE

	The Stock Exchange, Mumbai (in Rs.)		
	High	Low (No. of shares)	Avg. Volume per day
January 2008	2248	2074	1338
February 2008	1835	1715	742
March 2008	1537	1438	743
April 2008	1479	1414	748
May 2008	1406	1353	444
June 2008	1326	1273	304
July 2008	1288	1220	261
August 2008	1364	1314	130
September 2008	1268	1210	308
October 2008	963	871	564
November 2008	845	800	346
December 2008	808	763	414

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,
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	
	31-12-2008 (%)	31-12-2007 (%)
1 to 500	8.82	8.99
501 to 1000	1.07	1.08
1001 to 2000	0.80	1.17
2001 to 3000	0.40	0.35
3001 to 4000	0.46	0.59
4001 to 5000	0.39	0.22
5001 to 10000	1.05	1.40
Over 10000	87.01	86.20
Total	100.00	100.00

Categories of Shareholders :

Category	No. of shareholders	No. of shares held
Foreign Promoters	1	7182475
Non Resident Individuals	139	10513
Foreign Institutional Investors	4	24936
Banks	1	90
Mutual Funds	10	343968
Insurance Companies	1	14000
Central Government / State Governments(s)	1	285
Domestic Companies	345	130702
Resident Individuals	10610	1128273
Trust & Charitable Institutions	4	6281
	11116	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. 97.94% of the Company's share capital is dematerialised as on 31.12.2008.

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

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

Plant locations : Export manufacturing unit, Lonikand, Pune
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 Code of Conduct for the financial year 2008.

For **Honeywell Automation India Limited**

Pune, February 6, 2009

Vimal Kapur
Managing Director

Auditors' Certificate on Corporate Governance

To the Members of
HONEYWELL AUTOMATION INDIA LIMITED

We have examined the compliances of the conditions of Corporate Governance by Honeywell Automation India Limited for the year ended December 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination 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 state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Grievance Committee.

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.

Place : Pune
Date : February 6, 2009

Jeetendra Mirchandani
Partner
Membership No. F 48125
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants



HONEYWELL AUTOMATION INDIA LIMITED

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

ATTENDANCE SLIP

I hereby record, my presence at the TWENTY FIFTH ANNUAL GENERAL MEETING of the Company at Hotel Le Meridien, RBM Marg, Pune 411 001 at 3.00 p.m. on Thursday, April 16, 2009.

NAME OF SHAREHOLDER/PROXY

FOLIO NO. _____

NO. OF SHARES HELD _____

SIGNATURE OF THE
ATTENDING MEMBER/PROXY

NOTES :

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

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HONEYWELL AUTOMATION INDIA LIMITED

PROXY

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

I/We

Of _____ in the district of _____ being

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

of _____ in the district of _____ or

failing him, _____ of _____ as

my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Fifth Annual General Meeting of the Company at Hotel Le Meridien, RBM Marg, Pune 411 001 at 3.00 p.m. on Thursday, April 16, 2009 and at any adjournment thereof.

Signed this _____ day of _____ 2009.

Signature Shareholder

Affix
Revenue
Stamp

Reference Folio No. _____

No of shares held _____

This form is to be used * in favour of _____ 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.