

Board of Directors

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

Contents

Notice	2-3
Directors' Report	4-7
Management Discussion & Analysis Report	8-12
Auditors' Report	13-15
Balance Sheet	16
Profit & Loss Account	17
Schedules 1 to 16	18-38
Cashflow Statement.....	39
General Business Profile	40-41
Corporate Governance Report	42-50

Senior Management Team

Mr. Ananthanarayanan K. V.	Head - Legal
Mr. Bagaitkar Ravi	Head - Honeywell Operating System
Mr. Bansal Rohit	Head - Sensing & Controls
Mr. Biswas Amitava	Head - Process Solutions
Mr. Choubey Apurv	Head - Human Resources
Mr. Godbole Milind	Head - Building Solutions
Mr. Kamal Asad	Head - Strategy & Marketing
Mr. Kelkar Anant	Head - Integrated Supply Chain & Information Technology
Ms. Nemade Snehal	Head - Audit & Internal Controls
Mr. Pai Atul	Chief Financial Officer
Mr. Pradhan Ninad	Head - Environment & Combustion Controls
Mr. Tumkur Savyasachi	Head - Global Services

Registered Office

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013

Auditors

Price Waterhouse & Co.
Chartered Accountants

Bankers

Citibank N. A.
Royal Bank of Scotland

Registrar & Transfer Agent :

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

Notice

Honeywell Automation India Ltd. Annual Report 2010

NOTICE is hereby given that the **TWENTY-SEVENTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held at **4.00 p.m. on Thursday, April 21, 2011** in Honeywell Automation India Limited, 56 & 57, Hadapsar Industrial Estate, Pune 411 013 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended December 31, 2010 and the Balance Sheet as at that date.
2. To declare dividend.
3. To appoint a Director in place of Mr. S.L. Rao who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Norman Gilsdorf who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Sections 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves of the change in remuneration of Mr. Anant Maheshwari as Managing Director, with effect from April 1, 2011, upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification signed by the Chairman, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Directors and Mr. Maheshwari.”

NOTES:

- a) The relevant details in respect of Item no. 6 above, pursuant to Section 173 of the Companies Act, 1956 and Item nos. 3 and 4 pursuant to Clause 49 of the Listing Agreements are annexed hereto.
- b) The Company's shares are under the compulsory demat list. Shareholders are requested to utilise this facility to their advantage. Shareholders have been sent the ECS facility forms. Shareholders are requested to fill in the forms and take advantage of this facility.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 5, 2011 to Thursday, April 14, 2011 (both days inclusive).
- d) 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.
- e) 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.
- f) Members are requested to promptly notify any change in their address to the Company's Registrars & Share Transfer Agents, namely, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400011.
- g) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 2004 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 March 31, 2004 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.
- h) 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.

Directors' Report**Honeywell Automation India Ltd.
Annual Report 2010**

Dear Members,

The Directors present the **TWENTY-SEVENTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2010.

1. FINANCIAL RESULTS :

Particulars	Year ended December 31, 2010 (Rs. in lacs)	Year ended December 31, 2009 (Rs. in lacs)
Sales & Other Income	136377	118137
Operating Profit	15188	19446
Less: Interest	8	61
Depreciation	1290	1186
Profit for the year	13890	18199
Provision for tax	3655	5762
Deferred Tax Adjustment	(270)	(843)
PROFIT AFTER TAX	10505	13280
Profit brought forward from the previous year	30908	19991
Profit available for appropriations	41413	33271
APPROPRIATIONS		
General Reserve	1050	1328
Proposed Dividend	884	884
Tax on proposed dividend	147	150
BALANCE CARRIED FORWARD	39332	30909

2. DIVIDEND:

The Directors recommend a dividend @Rs.10/- per share for the financial year 2010.

3. OPERATIONS:

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

- **Honeywell Process Solutions (HPS)** – business serves core industrial sectors of Refining, Oil and Gas, Pulp and Paper, Metal and Cement etc.
- **Honeywell Building Solutions (HBS)** – business provides solutions and services for facilities such as Commercial and Industrial Buildings, IT and 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 and 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.
- **Global Services (GS)** – 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:

Your Company, Honeywell Automation India Ltd. (HAIL) is committed to its Corporate Social Responsibility (CSR) activities and strongly believes that helping out even in a small way, can bring about a difference in the lives of many. We focus our CSR activities on issues related to health, education and environment.

HAIL has a dedicated CSR Committee staffed with employees volunteering to dedicate time and commitment for this important initiative. Funding for CSR activities is generated from both the Company and also voluntary contributions from the employees through payroll. Multiple CSR projects were undertaken this year. Major ones are listed below:

- Sponsoring 50 children from Kolwan Valley Mulshi Taluka in close co-ordination with Sadhana Village – an NGO. This sponsorship aims at providing academic support as well as health check up and medical insurance to the villagers.
- HAIL continues to be associated with Aabha, an organization that focuses on educating people in rural areas on the health aspect, once again focusing on the Kolwan Valley with 10-12 villages benefiting from these programs. This program aims towards educating the villagers on general health and hygiene aspects.
- Health check up program with the help of B.J. Medical College, in Gurukul – a centre for orphans situated in Veer, a small village near Pune.
- With a focus on improving teaching skills, HAIL conducted a discovery workshop to enhance skills of teachers to understand the principles of Maths, Science and Geography. Teachers from 12 schools were covered under this workshop, which was to empower and to catalyze children to learn. This will help the students to develop interest in learning.
- The Company has also contributed to the Lila Poonavala Foundation for the work it carries out in the field of education of women and building women leaders and technical experts.

In addition to the above, HAIL employees also actively participate in various initiatives through DISHA, an employee engagement program.

Projects undertaken this year through DISHA were:

- Teaching a structured syllabus to children with disability in a school in Wanowrie, Pune. Employees visit the school on Saturday/Sunday to teach children of standards 9 and 10, Creation of audio CDs for standard 9 from which 5 schools for the visually impaired benefited, Joy of giving week (collection of clothes, books, toys), Blood donation drives, Tree Planting and Trekking – Clean up drives along the path uphill.

5. DIRECTORS:

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

6. MANAGEMENT DISCUSSION AND 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 2010 is annexed and forms part of the Directors Report.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- 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 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, this 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. The Annual Report and the statement under Section 217(2A) of the Act is available for inspection at the Registered Office of the Company during working hours for a period from March 28, 2011.

Information pertaining to absorption of technology, foreign exchange earnings is given as an Annexure to this Report and forms part of it.

11. ACKNOWLEDGEMENT:

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

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

Mumbai, February 9, 2011

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

Annexure to Directors' Report
A) CONSERVATION OF ENERGY :

Your Company makes every effort to conserve energy required for all its operations. We have also taken measures for enhanced power monitoring on all consumption points to drive improvement actions. Beyond the above a majority of Honeywell products help in the overall cause of energy conservation.

Through its Building Solution segment, Honeywell provides energy conservation solutions to various customers in deploying green buildings representing reduced energy consumption, demand and supply side energy optimization, achieving international standards of energy conservation code.

In the Industrial space Honeywell process solution has Energy Dashboard monitoring solution that provides complete integration with the overall information and work processes of an industrial facility, ensuring that energy management is at the heart of decision-making and reporting activities.

Honeywell's Solar Water Heater based on Evacuated Tube Technology based on renewable energy source helps meet hot water needs for residential and commercial applications (more than 300 installations across India).

B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

HAIL being an affiliate Company of Honeywell International Inc., on merits it has access to some of the latest products and technology of the parent Company. We continue to roll out new products and technology in the Indian markets as and when they are rolled out in our part of the world. We also selectively decide to manufacture some products in India depending upon business case. Honeywell International Inc. in 2010 committed some new products for shifting contract manufacturing to India to leverage its electronic and manufacturing capabilities. These initiatives are in advanced stage of knowledge transfer.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

	(Rs. '000)
(i) Foreign Exchange Earned	52,494,59
(ii) Foreign Exchange Used	45,493,47

PERFORMANCE OF KEY FINANCIAL INDICATORS AND HIGHLIGHTS OF 2010

- Orders up by 13%
- Sales up by 15%
- Net Income at Rs 105,05 Lakhs, down 21% over the corresponding previous period primarily due to an unfavourable revenue mix, competitive pressure on margins, increased employee cost and corporate allocations, partially offset by aggressive actions on controlling credit exposure and project management.
- Cash flow from operations Rs.45,63 lakhs down 71% year-on-year resulting in moderate Operating Cash Flow Performance in strained Working Capital environment.
- Consistent cost optimization actions to increase productivity in a competitive domestic environment.
- Improving skills and value-added capabilities in Exports business to mitigate risk of Volume, Price and Mix of revenues due to challenging economic and competitive conditions.

INDUSTRY OUTLOOK AND OPPORTUNITIES

Honeywell Automation India Limited (HAIL) operating results are driven by Industrial Production, Capital Spending on Process and Building Automation, Commercial and Infrastructure Construction, Commodity and Foreign Exchange variations. Mega Trends on Environment, Security and Safety concerns and Regulations also have a bearing on the Company's operations. Some of the important market conditions were:

- Challenges in exports volume originating from Non Honeywell and Honeywell customers due to adverse order mix for your Company. Price pressure due to new and aggressive competition emerging from other developing nations.
- Continued government spending on key infrastructure projects like Roads, Airports, Mass Transit Systems, Energy Conservation Initiatives and Electronic Security helped volume growth opportunities in Buildings Solutions business.
- For Process Solutions Business, continued increased investment in Refining, Power Generation, Transmission and Distribution, Oil Exploration projects offset challenges due to delayed decisions in Oil Marketing and Distribution investments and private investments in Chemicals, Paper and other Small and Medium Enterprises (SME) Process Industries.
- Continued strong demand in 2010 in Automobile segment, Tier 2 and 3 Cities in construction segment and some improvement in credit availability to SMEs are reversing trends of volume shrinkage which persisted through most of 2009.

Honeywell Process Solutions (HPS):

HPS Solutions offerings include Field Instruments, Programmable Logic Controllers, Distributed Control Systems, Emergency Shutdown Systems (ESD), Quality Controls Systems (QCS), Advanced Software Solutions and various value added services. Overall the business performed very well in 2010 and won several new contracts from customers across various vertical markets that your Company addresses.

Process Solutions offers its Solutions and Products in 4 modes. Each of the modes i.e. New Construction, Advance Solutions, Life Cycle Services (LCS) and Field Solutions grew in order booking in 2010. The growth in order booking in 2010 was highlighted with some very important green field project wins. The major wins include one Greenfield Refinery Project (Paradip) from IOCL, one Petrochemical project from ONGC, two large Terminal Automation projects from HPCL and HMEL, in addition to several mid size orders from Bhushan Steel, JSPL, L&T, Tata Steel etc.

2011 is likely to be a challenging year for HPS due to continued increased competition in the market. The opportunities in the green field refining sector are declining and your Company shall rely heavily on continuous investments made in India in 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. Given the vast diversity of Products and Solutions portfolio and market reach, your Company will strive to sustain our performance in 2011.

Continued higher threat perception from security and safety and focus of energy conservation will lead to growth potential in Industrial security and safety applications where your Company has a strong product/solution portfolio.

Your Company continues to be the beneficiary of Honeywell HPS global investment in technology in new Products and Solutions, which will help HPS India to make its competitive position stronger in 2011.

Honeywell Building Solutions (HBS):

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

This business continued its consistent track record of performing well in 2010 and won several contracts in each of the three focus areas. Major wins / customers include Tata Consultancy Services, Cognizant Technology Solutions, Chennai Airport, Mumbai Airport, Mumbai and Pune Stadia, ICICI Bank, IOCL, Nokia, Bharti Airtel, TCL, Dr. Reddy's Laboratories and Jindal Saw.

With a credible track record, an ability to innovate, world class project execution capability and solid systems and processes for execution and life cycle management, this business is poised for sustained growth in 2011.

Environment and Combustion Control (ECC):

Based on increasing demand in Tier 2 and 3 cities and revival in the hospitality and commercial real estate sector, ECC saw an impressive growth in 2010. Channel volumes and key project wins in the Building Management System (BMS) business were the highlight of the year. Some of the major wins being ITC Grand Chola, JW Marriot – Bangalore, Royal Bank of Scotland, Naya Raipur Development Authority (NRDA), Delhi International Airport Limited (DIAL) and Delhi Metro Rail Corporation. The Industrial Combustion Control business continued to see positive trends with revival of industrial demand in the last year. Solar water heaters launched in early in 2009 registered good business from residential sales and key commercial projects in 2010 and are expected to show strong growth in 2011. Government policies for encouraging renewable energy solutions are helping in leveraging large commercial opportunities in this space.

Consolidation of Commercial Construction and Real Estate segment, along with urbanization of Tier 2 and 3 cities, would drive growth of the diversified product portfolio for the business in 2011. We remain cautious on the overall interest rates for 2011 affecting the credit availability in Commercial construction segment, which directly affect the volume of the ECC business.

Sensing and Control (S&C):

Renewed focus on sales strategy resulted in strong sales and operating margin performance in S&C business performance in 2010 over 2009. The expanded Electromechanical Sensing and Test and Measurement lines of businesses has contributed significantly to the growth with focused penetration in sub-verticals such as Power Generation Equipment, Process Instruments, Off-highway/ Construction Equipments, Military/Aeronautical Industries, Educational and Research Institutions.

Firming demand in transportation segments and diversification in other verticals and applications will help the business to pursue growth in 2011. The Company's product distribution rights in the Automotive on Board (AOB) sensor applications have been discontinued from January 2011, pursuant to Sensata taking over the global S&C AOB business. The volume impact of this global divesture is not material considering the size of the business for your Company. Firming demand in focused verticals, new product introductions and localization volume growth will drive growth in 2011.

Global Services (GS):

This business, which offers engineering services and product manufacturing, solutions and services to overseas requirements of Honeywell and other customers, continues to show moderate growth. The strengthening of the Indian Rupee exchange rate as against that in 2009 and maturing engineering strategies of competition in low-cost geographies, particularly in the process automation space put margins under pressure. GS has adopted Honeywell Operating Systems (HOS), which is designed to improve service performance and cost optimisation, thereby representing a holistic approach to operational excellence. The team continues to aspire to drive maturity of this process in the business. The business continued to drive cost and engineering productivity under this framework. Service expansion to other Honeywell companies has diversified the business. This has also resulted in skill expansion within the team.

The global manufacturing initiative is now stabilizing with linear demand with new lines getting added. The business made earnest efforts to sustain profitability in stable global volumes. Your Company has limited risk and return on this initiative as

it purely works as a contract manufacturer for global associate companies of Honeywell. Your Company's manufacturing facility continues to get accreditation for Manufacturing Excellence by Frost and Sullivan India.

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

FINANCIALS

Overall Net Sales was Rs.1,354,71 lakhs, which was a good growth of 15% in the given economic conditions, as all segments have not completely recovered from the recessionary trends. The exports segment of the business registered a nominal growth of 4%. The growth was moderate due to competitive challenges on pricing and adverse order back log mix affecting sales volumes. The domestic business growth was an impressive 23%, representing a good win rate on multiple green field and brown field opportunities.

Overall Net Income was Rs 105,05 lakhs, which was lower by 21% primarily due to :

- The unfavourable revenue mix due to Services business being lower by 10% year-on-year and increase in Product and Project business by 28% which includes the green field install base performance, results in lower margins due to its competitive environment and investments made by the Company with the intention of getting returns over the longer life cycle of the project.
- Competitive pressure on margins in the project and product business driven by lower selling prices as a result of the competitive market environment.
- A 14% increase in employee cost, which is in excess of the 6% increase in headcount due to wage rate inflation seen in the industry and due to the efforts taken by the Company to retain and develop talent.
- Increase in corporate allocation representing your Company's share of international expenses charged by our Parent Company to all affiliate companies in compliance with global Transfer Pricing policy. Also refer to Note 21 of Schedule 16, page 38.

These factors were partially offset, though aggressive actions on controlling credit exposure and following project management best practices reduced the overall charge to the P&L on account of Liquidated Damages, Provision for doubtful Debts and Bad Debt charge by 43% year on year.

Cash flow from operations was Rs. 45,63 lakhs, a decrease of 71% primarily due to large infrastructure projects having extended cash milestones and constrained credit markets in the overall commercial construction space resulted in increased working capital. While your Company was able to mitigate some risk on working capital due to better inventory and payable management, the overall project receivable and retentions increased beyond the proportion of project revenues thereby causing stress on overall cash flow from operations. Your Company will continue to strive to have better working capital performance in generating operating cash flows in proportion to its Net Income.

RISKS AND CONCERNS

Your Company generates a large percentage of its sales and profits from its business with the Honeywell group (Honeywell), its major shareholder. Sales to Honeywell accounted for approximately 33% and 36% of our total net sales in fiscal years 2010 and 2009, respectively, and approximately 90% and 92% of sales of Global Services (the Company's most profitable business unit) in fiscal years 2010 and 2009, respectively. Your Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors, including its ability to (i) identify emerging trends and customer requirements and develop product and service offerings superior to those of our competitors, (ii) meet or surpass the price, quality and delivery requirements of Honeywell and its end-customers in a cost-effective and competitive manner, and (iii) develop and retain employees and leaders with the necessary expertise. However, your Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell-specific business considerations (independent of its shareholdings in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by your Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company. Pricing pressures on sales of goods and services to Honeywell or a reduction in the volume or change in the mix of orders or sales to Honeywell can be expected to have a material adverse impact on the revenues and profits of the Company.

While your Company is diversified in various products, industries and geographies, major macro economic indicators are generally cautious around investments in the Process and the Construction Industries. While your Company is expecting to achieve a fair share in the reduced opportunities due to global recession, the diversification is helping it to manage these recessionary trends in focusing on right business. While we continue to believe that the fundamentals appear to be strong, and Domestic infrastructure

investments continue to be resilient, the overall competitive landscape is becoming more aggressive due to lower global volumes for most peer companies having international presence. Volatility of exchange rates continues to be a concern due to large exposure to foreign currencies that the Company has on account of imports as well as exports.

Your Company has initiated aggressive cost and productivity actions while remaining optimistic that the recessionary trends will subside in the near future and we would emerge a stronger Company in the future.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

- **Internal Control Framework:**

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

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

- **Budget Control:**

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

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

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

The Company has also initiated various process to ensure fixed cost remain fixed, enabling margin improvement on volume leverage.

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.

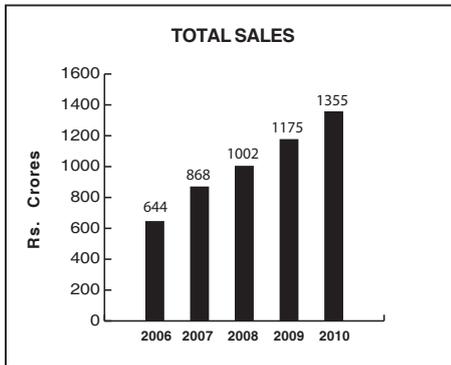
HUMAN RESOURCES

Your Company leverages the best practices, policies and tools of Honeywell's global HR team in ensuring that the Company's employees are organized the right way and motivated while keeping the focus of overall organizational efficiency and costs. With the help of Honeywell, your Company deploys functional best practices in recruitment, objective performance evaluation, learning and development, employee engagement, and compensation & benefits benchmarking, making HAIL a great place to work.

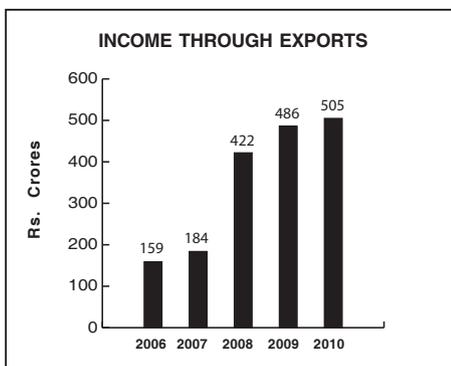
SUMMARY

A more balanced revenue mix of domestic revenue v/s exports revenue saw a moderate earning performance for 2010 compared to superior financial performance of 2009. Increased competitive environment in both domestic and exports opportunities continues to be a concern which is being addressed through concentrated efforts on operational excellence, driving productivity, and aggressive cost rationalization thus making us a much leaner Company to address the challenging times ahead. 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.

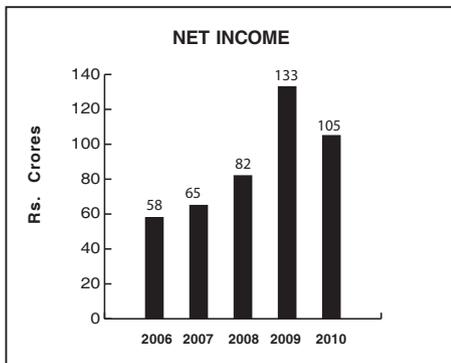
FINANCIAL PERFORMANCE



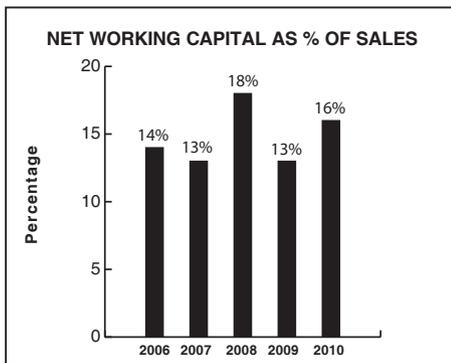
Total sales growth of 15% over the corresponding previous period. Strong growth in domestic industry and Contract manufacturing off set by lower sales in Export Services.



Total exports marginally up by 4% over the corresponding previous period mainly driven by contract manufacturing business and hardware exports, though the engineering exports have decreased.



Net Income has decreased by 21% over the corresponding previous period primarily due to an unfavourable revenue mix, competitive pressure on margins, increased employee cost and corporate allocations, partially offset by aggressive actions on controlling credit exposure and project management.



Working capital has increased due to higher sales growth in domestic business and increase in Contract work-in-progress due to certain large projects pending billing milestones.

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.

Auditors' Report**Honeywell Automation India Ltd.
Annual Report 2010**

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, 2010, 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, as on December 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
 - (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.

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

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Mumbai
Date : February 9, 2011

**Annexure to the
Auditors' Report****Honeywell Automation India Ltd.
Annual Report 2010**

[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, 2010]

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 designed to cover all the items over a period of five years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies 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 off 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 substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
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, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
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 Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and 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, investor education and protection fund, employees' state insurance, 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, the particulars of dues of income-tax, sales-tax, customs duty, excise duty and cess as at December 31, 2010 which have not been deposited on account of a dispute, are as follows –

Annexure to the Auditors' Report

Honeywell Automation India Ltd. Annual Report 2010

Name of the statute	Nature of dues	Amount* (Rs.'000)	Financial Year 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	15,097	1999-00 to 2001-02	Maharashtra Sales Tax Appellate Tribunal
Maharashtra Sales Tax Act, 1960	Sales Tax	9,974	2005-06	Deputy Commissioner of Sales Tax (MVAT)
Gujarat Sales Tax Act, 1969	Sales Tax / Value Added Tax, including applicable interest	900	2000-01 and 2001-02	Assistant Commissioner of Sales Tax (Appeals)
Uttar Pradesh State Trade Tax Act, 1948 and Uttar Pradesh Value Added Tax Act, 2008	Inter-State Works Contract Tax	17,060	2004-2005, 2007-2008, 2009-2010	Joint Commissioner of Sales Tax (Appeals)
West Bengal Value Added Tax Act, 2003	Value Added Tax	1,925	2005-06 to 2006-07	Assistant Commissioner of Sales Tax (Appeals)
Rajasthan Sales Tax Act, 1994	Entry Tax	867 4,130	2002-2003 2008-2009	High Court, Rajasthan
Income-tax Act, 1961	Income-tax including applicable interest	281,481	2005-2006	Income Tax Appellate Tribunal
Income-tax Act, 1961	Income-tax including applicable interest	184,554	2006-2007	Commissioner of Income Tax (Appeals)

*Net of amounts paid under protest or otherwise

10. The Company has no accumulated losses as at December 31, 2010 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 explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank 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 generally accepted auditing practices 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.

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

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Mumbai
Date : February 9, 2011

**Balance Sheet as at
December 31, 2010**
**Honeywell Automation India Ltd.
Annual Report 2010**

	Schedule	As At December 31, 2010 (Rs. '000)	As At December 31, 2009 (Rs. '000)
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	88,415	88,415
b) Reserves and Surplus	2	5,245,428	4,298,068
		<u>5,333,843</u>	<u>4,386,483</u>
2. Loan Funds			
a) Secured Loans	3	—	1,248
Total		<u>5,333,843</u>	<u>4,387,731</u>
APPLICATION OF FUNDS			
1. Fixed Assets	4		
a) Gross Block		1,468,008	1,558,064
b) Less: Depreciation/Amortisation		714,865	840,350
c) Net Block		753,143	717,714
d) Add: Capital Work-in-progress		8,772	35,212
		<u>761,915</u>	<u>752,926</u>
2. Deferred Tax Assets		308,868	281,854
[Refer Note 1 (k) and 2 (v) of Schedule 16]			
3. Current Assets, Loans and Advances			
Inventories	5	788,267	805,465
Sundry Debtors	6	3,215,054	2,891,700
Contracts in progress (Refer Note 18 of Schedule 16)		1,010,354	—
Cash and Bank balances	7	2,111,825	1,060,915
Other Current Assets	8	28,850	592
Loans and Advances	9	1,022,703	1,642,393
		<u>8,177,053</u>	<u>6,401,065</u>
Less: Current Liabilities and Provisions	10	3,913,993	3,048,114
Net Current Assets		<u>4,263,060</u>	<u>3,352,951</u>
Total		<u>5,333,843</u>	<u>4,387,731</u>
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.

For and on behalf of the Board of Directors

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

Jeetendra Mirchandani
Partner
Membership No. 48125

M. N. Bhagwat
Chairman

Anant Maheshwari
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Financial Officer

Place : Mumbai
Date : February 9, 2011

Place : Mumbai
Date : February 9, 2011

**Profit and Loss Account
for the year ended
December 31, 2010**
**Honeywell Automation India Ltd.
Annual Report 2010**

	Schedule	Year Ended December 31, 2010 (Rs. '000)	Year ended December 31, 2009 (Rs. '000)
INCOME FROM OPERATIONS AND OTHER INCOME			
1. Sales	11	13,741,238	11,942,341
Less : Excise Duty recovered		194,154	196,671
Net Sales		13,547,084	11,745,670
2. Other Income	12	90,571	68,055
		13,637,655	11,813,725
EXPENDITURE			
Material and Manufacturing Expenses	13	7,987,505	6,177,339
Employees' Remuneration and Benefits	14	2,215,305	1,942,126
Selling, Administration and Other Expenses	15	1,916,056	1,749,631
Interest (Refer Note 6 of Schedule 16)		843	6,136
Depreciation / Amortisation		128,990	118,627
		12,248,699	9,993,859
Profit Before Taxation		1,388,956	1,819,866
Provision for Taxation			
- Current Tax		404,340	527,986
- Deferred Tax		(27,014)	(84,254)
- Fringe Benefit Tax		-	7,710
- Relating to earlier years		(38,830)	40,500
Profit After Taxation		1,050,460	1,327,924
Balance of Profit and Loss Account brought forward		3,090,810	1,999,119
Profit available for Appropriation		4,141,270	3,327,043
APPROPRIATIONS			
Proposed Dividend		88,415	88,415
Dividend Distribution Tax		14,685	15,026
Transfer to General Reserve		105,046	132,792
Balance carried to Balance Sheet		3,933,124	3,090,810
		4,141,270	3,327,043
Basic/ Diluted Earnings per Share (Face Value Rs. 10 per share)		118.81	150.19
[Refer Note 2 (iv) of Schedule 16]			

Notes to Accounts

16

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

This is the Profit and Loss A/c referred to in our report of even date. For and on behalf of the Board of Directors

For **Price Waterhouse & Co.**

Firm Registration No. 007567S

Chartered Accountants

Jeetendra Mirchandani

Partner

Membership No. 48125

M. N. Bhagwat

Chairman

Anant Maheshwari

Managing Director

Sneha Padve

Company Secretary

Atul Pai

Chief Financial Officer

Place : Mumbai

Date : February 9, 2011

Place : Mumbai

Date : February 9, 2011

Schedules

Honeywell Automation India Ltd.
Annual Report 2010Schedules forming part of the Balance Sheet
as at December 31, 2010

As At December 31, 2010 Rupees ('000)	As at December 31, 2009 Rupees ('000)
--	--

SCHEDULE - 1 : SHARE CAPITAL**Authorised :**

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

Issued :

8,841,697 Equity Shares of Rs. 10 each	<u>88,417</u>	<u>88,417</u>
--	---------------	---------------

Subscribed and Paid-up :

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

TOTAL

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, 2010 Rupees ('000)	As at December 31, 2009 Rupees ('000)
--	--

SCHEDULE - 2 : RESERVES AND SURPLUS

Securities Premium Account	157,708	157,708
----------------------------	---------	---------

General Reserve As per last Balance Sheet	1,049,550	916,758
--	-----------	---------

Add : Transferred from Profit and Loss Account	<u>105,046</u>	<u>132,792</u>
--	----------------	----------------

	<u>1,154,596</u>	<u>1,049,550</u>
--	------------------	------------------

Balance in Profit and Loss Account	<u>3,933,124</u>	<u>3,090,810</u>
------------------------------------	------------------	------------------

TOTAL

	<u>5,245,428</u>	<u>4,298,068</u>
--	------------------	------------------

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedules forming part of the Balance Sheet
as at December 31, 2010**

As at December 31, 2010	As at December 31, 2009
Rupees ('000)	Rupees ('000)

SCHEDULE - 3 : SECURED LOANS

Loan from Banks	-	1,248
[Repayable within one year Rs. NIL; Previous Year Rs. 273 ('000)]		
[Refer Note 4 of Schedule 16]		

TOTAL	-	1,248
--------------	----------	--------------

SCHEDULE - 4 : FIXED ASSETS

[Refer Notes 1(e), (f) and (g) of Schedule 16]

(Rs. '000)

Assets	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	Cost as on December 31, 2009	Additions during the year	Deletions/ Adjustments during the year	Cost as on December 31, 2010	Accumulated Depreciation/ Amortisation as on December 31, 2009	Depreciation/ Amortisation for the year	Depreciation/ Amortisation written back on deletions during the year	Accumulated Depreciation/ Amortisation as on December 31, 2010	As on December 31, 2010	As on December 31, 2009
Tangible Assets										
Land	3,024	-	-	3,024	-	-	-	-	3,024	3,024
Buildings	350,169	28,514	16,957	361,726	45,394	15,363	9,788	50,969	310,757	304,775
Plant and Machinery	514,267	38,330	119,879	432,718	272,465	42,936	110,354	205,047	227,671	241,802
Computers	307,620	60,268	78,757	289,131	251,560	36,503	78,748	209,315	79,816	56,060
Furniture and Fixtures	149,168	12,451	37,564	124,055	73,358	12,352	36,274	49,436	74,619	75,810
Office Equipment	34,040	1,211	16,302	18,949	26,631	3,450	16,395	13,686	5,263	7,409
Vehicles	53,879	39,179	4,452	88,606	26,400	17,259	2,590	41,069	47,537	27,479
Intangible Assets										
Product Distribution Rights HSPL	105,962	-	-	105,962	105,962	-	-	105,962	-	-
Oracle License	11,646	-	-	11,646	11,646	-	-	11,646	-	-
Software	28,289	4,230	328	32,191	26,934	1,127	326	27,735	4,456	1,355
Total	1,558,064	184,183	274,239	1,468,008	840,350	128,990	254,475	714,865	753,143	717,714
Previous Year	1,325,060	307,468	74,464	1,558,064	772,380	118,627	50,657	840,350		
Capital Work in Progress (Including advances on Capital Account)									8,772	35,212
									761,915	752,926

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedules forming part of the Balance Sheet
as at December 31, 2010**

As at December 31, 2010 Rupees ('000)	As at December 31, 2009 Rupees ('000)
--	--

SCHEDULE - 5 : INVENTORIES

(As valued and certified by the Management)

[Refer Note 1(c) of Schedule 16]

Raw Material (Including Raw Material in Transit of Rs. 26,692 ('000); Previous Year Rs. 55,367 ('000))	614,813	688,064
Trading Stock	91,453	51,010
Work-in-Progress	38,824	31,549
Finished Goods	43,177	34,842
TOTAL	788,267	805,465

SCHEDULE - 6 : SUNDRY DEBTORS

Sundry Debtors (Unsecured)

Outstanding for a period exceeding six months

– Considered Good	425,313	518,584
– Considered Doubtful	402,705	340,596
	828,018	859,180

Other Debts

– Considered Good	2,789,741	2,373,116
– Considered Doubtful	14,415	54,361

	2,804,156	2,427,477
Less: Provision for doubtful debts	417,120	394,957

[This includes Retention Money not due of Rs. 575,638 ('000)
Previous Year - Rs. 853,339 ('000)]

TOTAL	3,215,054	2,891,700
--------------	------------------	------------------

SCHEDULE - 7 : CASH AND BANK BALANCES

Cash	-	-
------	---	---

Bank Balance with Scheduled Banks

- On Current Account	328,192	210,915
- On Fixed Deposits	1,783,633	850,000

TOTAL	2,111,825	1,060,915
--------------	------------------	------------------

SCHEDULE - 8 : OTHER CURRENT ASSETS

Interest accrued on Fixed Deposits with Banks	28,850	592
---	--------	-----

TOTAL	28,850	592
--------------	---------------	------------

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedules forming part of the Balance Sheet
as at December 31, 2010**

As at December 31, 2010	As at December 31, 2009
Rupees ('000)	Rupees ('000)

SCHEDULE - 9 : LOANS AND ADVANCES
(Unsecured, Considered Good)

Advances recoverable in cash or in kind or for value to be received	576,605	510,057
Inter-corporate Deposits	–	803,986
Balance with Central Excise, Custom Authorities, etc.	104,947	44,718
Advance Income Tax, including tax deducted at source (net of provisions)	341,151	283,632
TOTAL	1,022,703	1,642,393

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

Acceptances	379,170	221,909
Sundry Creditors		
- Dues to Micro and Small Enterprises [Refer note 3(b) of Schedule 16]	28,189	32,395
- Dues to creditors other than Micro and Small Enterprises	2,693,584	2,018,658
Advance from Customers	109,408	143,967
Unearned Revenue for Contracts (Refer Note 18 of Schedule 16)	–	116,453
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956, not due		
- Unclaimed Dividend	1,666	1,534
Other Liabilities	50,756	37,059
	3,262,773	2,571,975

Provisions

Proposed Dividend	88,415	88,415
Dividend Distribution Tax	14,685	15,026
Warranty (Refer Note 19 of Schedule 16)	133,864	132,440
Disputed Statutory Matters (Refer Note 19 of Schedule 16)	123,575	118,038
Gratuity (Refer Note 1(i)(i) and 20 of Schedule 16)	35,228	39,383
Compensated Absences (Refer Note 1(i)(ii) of Schedule 16)	71,270	57,685
Provision for Estimated Cost to Complete on Contracts (Refer Note 19 of Schedule 16)	184,183	25,152
	651,220	476,139
TOTAL	3,913,993	3,048,114

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedules forming part of the Profit & Loss Account
for the year ended December 31, 2010**

	Year ended December 31, 2010 Rupees ('000)	Year ended December 31, 2009 Rupees ('000)
--	---	---

SCHEDULE - 11 : SALES

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

Products and Jobs	10,106,719	7,894,547
Services rendered	3,634,519	4,047,794
TOTAL	13,741,238	11,942,341

SCHEDULE - 12 : OTHER INCOME

Interest On :

- Fixed Deposit with bank [Gross TDS Rs.4,991 ('000), Previous Year Rs.2,632 ('000)]	78,081	11,615
- Inter-corporate Deposit [Gross TDS Rs.164 ('000), Previous Year Rs.5,626 ('000)]	1,643	29,978
Liabilities no longer required written back	3,854	3,919
Gain on premature repayment of Sales Tax Deferral Loan	-	19,008
Miscellaneous income	6,993	3,535
TOTAL	90,571	68,055

SCHEDULE - 13 : MATERIAL AND MANUFACTURING EXPENSES

Raw Materials, Components and Services consumed

Opening Stock	688,064	534,085
Add: Purchases	6,737,258	5,405,025
	7,425,322	5,939,110
Less: Closing Stock	614,813	688,064
	6,810,509	5,251,046

Traded Goods

Opening Stock	51,010	82,678
Add: Purchases	1,134,811	820,285
	1,185,821	902,963
Less: Closing Stock	91,453	51,010
	1,094,368	851,953

(Increase)/ Decrease in Work-in-Progress

Opening Work-in-Progress	31,549	20,605
Less: Closing Work-in-Progress	38,824	31,549
	(7,275)	(10,944)

(Increase)/Decrease in Finished Goods

Opening Stock	34,842	33,920
Less: Closing Stock	43,177	34,842
	(8,335)	(922)

Excise Duty Expense

20,336 15,020

Power and Fuel

77,902 71,186

7,987,505 6,177,339

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedules forming part of the Profit & Loss Account
for the year ended December 31, 2010**

Year ended December 31, 2010 Rupees ('000)	Year ended December 31, 2009 Rupees ('000)
---	---

SCHEDULE - 14 : EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, Wages, Bonus and Allowances	2,041,122	1,805,847
Company's Contribution to Provident Fund and Other Funds	103,242	76,450
Welfare Expenses	70,941	59,829
TOTAL	2,215,305	1,942,126

SCHEDULE - 15 : SELLING, ADMINISTRATION AND OTHER EXPENSES

Rent	118,200	130,759
Rates and Taxes	12,060	10,065
Travelling	686,303	768,435
Remuneration to Auditors :		
As Auditors	2,700	2,700
Others (Including Tax Audit)	1,250	1,250
Out of pocket expenses	82	80
	<u>4,032</u>	<u>4,030</u>
Repairs and Maintenance		
- Buildings	2,245	4,232
- Plant and Machinery	10,993	30,422
- Others	69,579	59,761
	<u>82,817</u>	<u>94,415</u>
Insurance	8,811	7,675
Communication Expenses	67,744	62,031
Liquidated Damages written off	21,334	28,275
Bad Debts written off	15,844	48,051
Foreign Exchange Loss (Net)	12,020	42,786
Provision for doubtful debts	69,294	110,614
Loss on assets sold/ discarded	17,429	20,636
Sales Commission	3,913	5,478
Corporate Overhead Allocations (Refer Note 21 of Schedule 16)	610,536	226,064
Directors Fees	350	370
Miscellaneous Expenses	185,369	189,947
TOTAL	1,916,056	1,749,631

Annexed to and forming part of the Balance Sheet as at December 31, 2010 and the Profit and Loss Account for the year ended December 31, 2010.

NOTES TO ACCOUNTS - Schedule 16 to the Financial Statements

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) Contractual claims are recognized on raising of the claim. However, consequential liability to excise duty, if any, is provided for and corresponding revenue is accounted for only on settlement of the claim. Income from non-contractual claims is recognized only on acceptance of the claim by the customer.
- vi) Revenue from sales of products and services are recognized when significant risks and rewards of ownership of products are passed on to the customer or when the service is provided.
- vii) Revenue from short term software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. With reference to fixed price contracts revenue is recognized in accordance with proportionate completion method.

c) Inventories :

Raw material, spares and components are valued at standard cost, which approximate actual cost 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 realizable 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 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 to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts 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.

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

Schedule 16 to the Financial Statements – continued

the intended use, less Cenvat / VAT. 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 / Amortisation :**

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	4-5 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:**i) **Superannuation:**

The Company has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund for all employees which are administered by Life Insurance Corporation (LIC) of India . Superannuation Fund is 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.

ii) **Provident Fund:**

The Company has a post-employment benefit plan in the form of provident fund for all the employees which are administered through a trust administered by the trustees. Liability for this plan is charged based on contributions. Further, the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

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 is 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 capitalized 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 uniform 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 arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. 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 :**

Business segment has been considered as the primary segment and geographical segment has been considered as the secondary segment. Automation & Control system being the only business segment constitute one single primary segment in the context of Accounting Standard - 17 on Segment Reporting , as specified in the Companies (Accounting Standard) Rules, 2006.

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, 2010	For the year ended December 31, 2009
Domestic	8,685,459	7,080,445
Exports	5,055,779	4,861,896
Total	13,741,238	11,942,341

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 Ecc (Tianjin) Limited Honeywell A.B. Honeywell A/S (Denmark) Honeywell A/S (Norway) Honeywell AG (Switzerland) Honeywell Airport Systems GmbH Honeywell Analytics AG Honeywell ASC 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 K.K. Honeywell Limited Honeywell Limited (Hong Kong) Honeywell Middle East B.V.</p>	<p>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 Honeywell Kuwait KSC Honeywell Turki Arabia Limited</p>
(iii)	Key Management Personnel	
	Mr. Vimal Kapur, Managing Director up to March 1, 2010	
	Mr. Anant Maheshwari, Managing Director from March 1, 2010	

Schedules (contd.)

Honeywell Automation India Ltd.
Annual Report 2010

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,			
	2010	2009	2010		2009	
			Receivable	Payable	Receivable	Payable
* Sales of Goods, Services and Reimbursement of Expenses						
<u>Holding Company</u>						
Honeywell International Inc.	1,161,558	1,643,958	117,871	–	243,068	–
Total	1,161,558	1,643,958	117,871	–	243,068	–
<u>Fellow Subsidiaries</u>						
Honeywell N V	267,317	315,575	726	–	29,202	–
Honeywell Control Systems Limited	363,140	474,483	34,197	–	57,713	–
Honeywell Middle East Ltd.	388,291	372,987	55,251	–	52,861	–
Other Fellow Subsidiaries	2,339,925	1,594,426	551,538	–	231,359	–
Total	3,358,673	2,757,471	641,712	–	371,135	–
Purchase of Goods, Services and Fixed Assets (including GIT)						
<u>Holding Company</u>						
Honeywell International Inc.	1,053,103	1,096,183	–	17,021	–	206,701
Total	1,053,103	1,096,183	–	17,021	–	206,701
<u>Fellow Subsidiaries</u>						
Honeywell International (India) Pvt. Ltd.	182,474	147,716	–	11,406	–	–
Honeywell Measurex Ireland	170,105	256,422	–	10,304	–	35,682
Other Fellow Subsidiaries	1,147,851	1,065,816	–	323,025	–	187,159
Total	1,500,430	1,469,954	–	344,735	–	222,841
Inter Corporate Deposits Given						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd.	787,413	459,650	–	–	803,986	–
Callidus Technologies India Private Ltd.	–	95,073	–	–	–	–
Total	787,413	554,723	–	–	803,986	–
Interest on Inter Corporate Deposit						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd.	1,643	29,183	–	–	–	–
Callidus Technologies India Private Ltd.	–	788	–	–	–	–
Honeywell Turbo (India) Pvt. Ltd.	–	–	–	–	–	–
Total	1,643	29,971	–	–	–	–
Interest on Inter Corporate Loans						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd.	–	653	–	–	–	–
Honeywell Turbo (India) Private Limited	623	–	–	–	–	–
Total	623	653	–	–	–	–

Schedules (contd.)

Honeywell Automation India Ltd.
Annual Report 2010

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,				
	2010	2009	2010		2009		
			Receivable	Payable	Receivable	Payable	
Managerial Remuneration							
<u>Key Management Personnel</u>							
Vimal Kapur (up to 01.03.2010)	3,926	5,450	–	–	–	–	–
Anant Maheshwari (From 01.03.2010)	6,670	–	–	–	–	–	–
Total	10,596	5,450	–	–	–	–	–
Commission							
<u>Key Management Personnel</u>							
Vimal Kapur (up to 01.03.2010)	–	2,000	–	–	–	–	2,000
Anant Maheshwari (From 01.03.2010)	3,500	–	–	3,500	–	–	–
Total	3,500	2,000	–	3,500	–	–	2,000

* **Note** : The Company generates a large percentage of its sales and profits from its business with the Honeywell group (Honeywell), its major shareholder. Sales to Honeywell accounted for approximately 33% and 36% of our total net sales in fiscal years 2010 and 2009, respectively. The Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors. However, the Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell-specific business considerations (independent of its shareholdings in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by the Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company.

iii) Lease Transactions :

As a Lessee in a Operating Lease:

Non cancellable

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, 2010 are as follows:

(Rs'000)

	Due within 12 months	Due between 12-60 months	Total amount due
Minimum Lease Payments	4,760 (20,498)	– (4,760)	4,760 (25,258)

Cancellable

Rentals paid for equipments under operating leases of Rs. 4,165 ('000) [Previous year Rs. 14,353 ('000)] have been included under 'Rent'.

Rentals paid for computers under operating leases of Rs. 11,834 ('000) [Previous year Rs. 17,479 ('000)] have been included under 'Miscellaneous Expenses'.

Previous year figures are indicated in brackets.

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 have been calculated as under:

	For the year ended December 31, 2010	For the year ended December 31, 2009
Profit after Tax (Rs. '000)	1,050,460	1,327,924
Weighted Average number of Equity Shares	8,841,523	8,841,523
Earning Per Share (Rs.)	118.81	150.19
Face value per share (Rs.)	10.00	10.00

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued****v) Deferred Tax Assets (Net) :**

(Rs. '000)

Composition	As at December 31, 2010	As at December 31, 2009
a) Deferred Tax Assets		
Depreciation and Amortisation	5,828	5,077
Provision for Doubtful Debts	160,982	141,160
Cost to Complete	1,318	8,549
Provision for Compensated Absences	23,676	19,607
Bonus	31,550	45,700
Others	85,514	61,761
Deferred Tax Asset	308,868	281,854
Deferred tax charge/credit for the year is as follows :		
Opening Deferred Tax Asset	281,854	197,600
Less : Closing Deferred Tax Asset	308,868	281,854
Deferred Tax Charge / (Credit)	(27,014)	(84,254)

3. a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) - Rs.13,723 ('000) [Previous Year Rs.48,599 ('000)].
- b) Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006.

(Rs. '000)

Sr.No.	Particulars	December 31, 2010	December 31, 2009
i)	The principle amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year		
	- Principal amount outstanding	28,189	32,395
	- Interest thereon	600	358
ii)	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
	- Interest paid in terms of Section 16	-	-
	- Delayed principal payments	47,268	181,516
iii)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006		
	- Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms and not as payable under the Act	-	-
	- Normal Interest payable during the year, for the period of delay in making payment, as per the agreed terms and not as payable under the Act.	-	-
iv)	The amount of interest accrued and remaining unpaid at the end of each accounting year		
	-Total interest accrued during the year	1,909	2,558
	-Total Interest remaining unpaid out of the above as at the balance sheet date	1,909	2,558
v)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.		
	(Included in the above are Rs. 2,558 ('000), being amounts outstanding as at the beginning of the accounting year)	4,467	912

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

4. Vehicle loans were secured by hypothecation of vehicles.
5. Provision for taxation has been made after considering the various allowances/deductions available and after excluding profits derived from undertaking registered with Software Technology Parks of India under section 10A and unit registered under Special Economic Zone under Section 10AA of the Income Tax Act, 1961.

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued**

6. Interest includes interest on fixed loans Rs.86 ('000) [Previous Year Rs.2,853 ('000)] and others Rs. 757 ('000) [Previous Year Rs.3,283 ('000)].

7. Foreign Currency Exposures :**Hedged by derivative instruments / or otherwise :**

(Rs.'000)

Particulars	As on December 31, 2010	As on December 31, 2009
Export Covers		
In EURO	1,601	–
(Equivalent approximate in Rs.)	96,000	–

Unhedged by derivative instruments / or otherwise :

(Rs.'000)

Particulars	As on December 31, 2010	As on December 31, 2009
a) Liability - Trade Creditors		
In GBP	140	68
(Equivalent approximate in Rs.)	9,854	5,155
In EURO	1,007	908
(Equivalent approximate in Rs.)	60,369	60,840
In CAD	13	35
(Equivalent approximate in Rs.)	585	1,553
In AUD	69	32
(Equivalent approximate in Rs.)	3,077	1,322
In USD	12,434	9,877
(Equivalent approximate in Rs.)	562,280	461,433
In SGD	25	45
(Equivalent approximate in Rs.)	869	1,504
In IDR	–	1,961
(Equivalent approximate in Rs.)	–	10
In CHF	–	52
(Equivalent approximate in Rs.)	–	2,308
In SEK	630	53
(Equivalent approximate in Rs.)	4,187	341
In AED	20	27
(Equivalent approximate in Rs.)	250	354
In HKD	–	3
(Equivalent approximate in Rs.)	–	17
In NOK	263	69
(Equivalent approximate in Rs.)	1,995	556
In ZAR	61	93
(Equivalent approximate in Rs.)	404	577
b) Asset - Trade Receivables		
In GBP	163	178
(Equivalent approximate in Rs.)	11,452	13,454
In EURO	516	3,043
(Equivalent approximate in Rs.)	30,967	203,853
In USD	22,417	15,189
(Equivalent approximate in Rs.)	1,013,715	709,629
In AUD	3	6
(Equivalent approximate in Rs.)	132	262
c) Asset - Bank Balances		
In USD	1,392	1,207
(Equivalent approximate in Rs.)	62,946	56,400

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**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	SO	RU
Vesting Period	2 years	3 years
Maximum Term of Options granted	10 years	7 years

No amount is paid by the Company 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	2010				2009			
	SO		RU		SO		RU	
	Number	Weighted Average Exercise Price USD						
(a) Outstanding at the beginning of the year	49,610	39.95	26,762	–	32,735	47.06	9,750	–
(b) Granted during the year	23,000	41.21	17,186	–	18,000	28.35	17,012	–
(c) Forfeited during the year	–	–	400	–	–	–	–	–
(d) Exercised during the year	12,200	46.20	5,773	–	–	–	–	–
(e) Expired during the year	–	–	–	–	1,125	61.03	–	–
(f) Outstanding at the end of the year	60,410	39.20	37,775	–	49,610	39.95	26,762	–
(g) Exercisable at the end of the year	17,910	44.87	–	–	21,610	43.10	–	–

During the year 2010, weighted average share price for Stock Options exercised was USD 46.2 [Previous Year Rate USD NIL].

During the year 2010, weighted average share price for Restricted Units vested was USD 42.27 [Previous Year Rate USD 32.18].

There were 60,410 Stock Options outstanding at the end of 2010 with exercise prices in the range USD 28.25 to USD 58.48 with a weighted average remaining contractual life of 8.16 years.

There were 37,775 Restricted Units at the end of 2010 with a weighted average remaining contractual life of 4.68 years.

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued****9. Contingent Liabilities**

(Rs.'000)

		December 31, 2010	December 31, 2009
a)	Income tax claims against the Company	773,014	420,176
b)	Excise duty claims against the Company	1,475	1,475
c)	Sales tax refunds/claims against the Company	42,283	173,992
d)	Customs duty claims against the Company	3,553	3,553

Note :

Bank Guarantees given to customers against performance/advance Rs. 2,803,187 ('000) [Previous Year Rs. 2,387,223 ('000)].

10. a) Directors' Remuneration:

(Rs.'000)

		For the year ended December 31, 2010	For the year ended December 31, 2009
i)	Salaries and Allowances	9,897	4,574
ii)	Perquisites	238	554
iii)	Contribution to Provident and Superannuation Fund	461	322
iv)	Commission on Profits		
	- Executive Directors	3,500	2,000
	- Non-Executive Directors	3,100	2,700
		17,196	10,150

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.
- The above information does not include pension aggregating Rs. 720('000) [Rs. 720('000)] paid to a Non-Executive Director, who was previously an employee of the Company.

b) Computation of Net Profit as per section 349 of the Companies Act, 1956:

(Rs.'000)

	December 31, 2010		December 31, 2009	
Profit before taxation as per Profit and Loss Account		1,388,956		1,819,866
Add :				
Directors' Remuneration and Commission	15,296		10,150	
Provision for Doubtful Debts and Advances	69,294		110,614	
Directors' Sitting fees	350		370	
Depreciation as per books	128,990		118,627	
		213,930		239,761
Less :				
Depreciation under Section 349	128,990		118,627	
		128,990		118,627
Net Profit in accordance with Section 349		1,473,896		1,941,000
Maximum Commission on Profits payable to Directors (1% of Net Profit)		14,739		19,410
Restricted to		6,600		4,700

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**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	**	*	–	–	231	231	1,042,189	–	–
	**	*	–	–	(216)	(216)	(1,521,910)	–	–
Transmitters	–	–	675	16,247	11,787	11,741	230,233	721	17,785
	–	–	(930)	(18,224)	(8,820)	(9,075)	(230,194)	(675)	(16,247)
Others (including Bought Outs and Reimbursements)				18,595			7,034,667		25,392
				(15,696)			(4,724,743)		(18,595)
(ii) Traded Products									
Various				51,010			1,605,476		91,453
				(82,678)			(1,221,029)		(51,010)
(iii) Services Rendered									
							3,634,519		
							(4,047,794)		
Total				85,852			13,547,084		134,630
				(116,598)			(11,745,670)		(85,852)

* 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, 2010	For the year ended December 31, 2009
Components for System Integration	Lot	6,810,509	5,251,046
Total		6,810,509	5,251,046

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, 2010	%	For the year ended December 31, 2009
Imported	49	3,303,747	52	2,515,059
Indigenous	51	3,506,762	48	2,735,987
Total		6,810,509		5,251,046

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued****14. CIF Value of Imports :**

(Rs. '000)

Description		For the year ended December 31, 2010	For the year ended December 31, 2009
a)	Capital Goods	24,292	45,996
b)	Raw Materials	3,679,173	3,434,915
	Total	3,703,465	3,480,911

15. Expenditure in Foreign Currency :

(Rs. '000)

Description		For the year ended December 31, 2010	For the year ended December 31, 2009
1)	Travelling	340,966	459,594
2)	Professional and Consultation Fees	10,162	7,295
3)	Others	494,754	177,163
	Total	845,882	644,052

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

(Rs. '000)

Description		For the year ended December 31, 2010	For the year ended December 31, 2009
a)	Amount of Dividend	72,199	–
b)	Pertaining to Financial year	2009	–
c)	Number of Non resident shareholders	247	220
d)	Number of shares held	7,252,338	7,219,890

17. Earnings in Foreign Currency :

(Rs. '000)

Description		For the year ended December 31, 2010	For the year ended December 31, 2009
a)	FOB value of Exports	2,543,040	2,408,905
b)	Services	2,327,678	2,524,181
c)	Reimbursements	378,741	433,267
	Total	5,249,459	5,366,353

18. Contracts in Progress :

(Rs. '000)

Particulars		For the year ended December 31, 2010	For the year ended December 31, 2009
a)	Aggregate amount recognised as Contract Revenue	6,533,366	5,715,039
b)	In respect of Contracts in Progress as on December 31		
	i. Aggregate amount of Contract Costs incurred and recognized profits (less recognized losses) as at end of the financial year for all contracts in progress up to as at that date.	17,709,961	15,292,814
	ii. Amount of Customer Advances received	18,827	53,615
	iii. Amount of Retentions	575,638	770,139
c)	Gross amount due from customers for contract work	1,727,528	890,707
d)	Gross amount due to customers for contract work	717,174	1,007,160
e)	(d) - (c)	(1,010,354)	116,453

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued****19. Disclosure as required by AS 29 – Provisions:**

(Rs. '000)

	Disputed Statutory Matters		Warranty [Refer Note 1 (h)]		Provision for Estimated Cost to Complete on Contracts		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening Balance	118,038	62,752	132,440	160,086	25,152	26,613	250,478	222,838
Additions	5,537	55,286	69,044	51,258	181,905	22,170	74,581	106,544
Utilisations	–	–	67,620	78,904	22,874	23,631	67,620	78,904
Closing Balance	123,575	118,038	133,864	132,440	184,183	25,152	257,439	250,478

A) Disputed statutory matters mainly include:

- Provision for disputed statutory matters comprises matters under litigation with Sales Tax and Local authorities.
- The amount of provision made by the Company is based on the estimate made by the Management considering the facts and circumstances of each case.
To the extent the Company is confident that it may have a strong case that portion is disclosed under contingent liabilities.
- The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.

B) Provision for Estimated Cost to Complete on Contracts:

A provision for estimated cost to complete on construction contracts is recognised when it is probable that the contract costs will exceed total contract revenue. The provision shall be utilised as and when the contract gets executed.

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,	
		2010	2009
1.	Contribution to Employees' Provident Fund	46,308	35,740
2.	Contribution to Employees' Family Pension Fund	17,789	17,442
3.	Contribution to Employees' Superannuation Fund	9,997	9,314
	Total	74,094	62,496

(B) Defined Benefit Plan (Gratuity) :**(i) Changes in the Present Value of Obligation**

(Rs. '000)

		For the year ended December 31,	
		2010	2009
1.	Present Value of Obligation as at January 1,	102,800	90,721
2.	Interest Cost	7,419	4,957
3.	Past Service Cost	–	–
4.	Current Service Cost	22,273	18,206
5.	Curtailment Cost/(Credit)	–	–
6.	Settlement Cost/(Credit)	–	–
7.	Benefits Paid	(10,356)	(7,490)
8.	Actuarial (Gain)/Loss	16,986	(3,594)
9.	Present Value of Obligation as at December 31	139,122	102,800

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued****(ii) Changes in the Fair Value of Plan Assets**

(Rs. '000)

		For the Year Ended December 31,	
		2010	2009
1.	Present Value of Plan Assets as at January 1,	63,417	58,940
2.	Expected Return on Plan Assets	7,442	5,440
3.	Actuarial Gain/(Loss)	684	526
4.	Employers' Contributions	42,707	6,001
5.	Employees' Contributions	–	–
6.	Benefits Paid	(10,356)	(7,490)
7.	Fair Value of Plan Assets as at December 31	103,894	63,417

(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,	
		2010	2009
1.	Present Value of Funded Obligation	139,122	102,800
2.	Fair Value of Plan Assets	103,894	63,417
3.	Net Liability recognised in the Balance Sheet	35,228	39,383

(iv) Expenses recognised in the Profit and Loss Account

(Rs. '000)

		For the Year Ended December 31,	
		2010	2009
1.	Current Service Cost	22,273	18,206
2.	Past Service Cost	–	–
3.	Interest Cost	7,419	4,957
4.	Expected Return on Plan Assets	(7,442)	(5,440)
5.	Curtailment Cost/(Credit)	–	–
6.	Settlement Cost/(Credit)	–	–
7.	Net actuarial (Gain)/Loss	16,302	(4,120)
8.	Employees' Contribution	–	–
9.	Total Expenses recognised in the Profit and Loss Account	38,552	13,603

(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at December 31, 2010

		2010	2009
1.	Government of India Securities	0%	0%
2.	Corporate Bonds	0%	0%
3.	Special Deposit Scheme	0%	0%
4.	Equity Shares of Listed Companies	0%	0%
5.	Property	0%	0%
6.	Insurer Managed Funds	100%	100%
7.	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.

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2010**Schedule 16 to the Financial Statements – continued****(vii) The Actual Return on Plan Assets is as follows :** (Rs. '000)

	Particulars	2010	2009
(a)	Actual return on Plan Assets	8,126	5,966

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

	Particulars	As on December 31,	
		2010	2009
(a)	Discount Rate	7.90%	7.60%
(b)	Expected Rate of Return on Plan Assets	9.35%	9.35%
(c)	Salary Escalation Rate - Management Staff	6.00%	6.00%

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

ix The amounts pertaining to defined benefit plans are as follows:-

	Particulars	As At December 31, 2010	As At December 31, 2009	As At December 31, 2008	As At December 31, 2007
a.	Gratuity plan (funded/unfunded)				
i.	Defined benefit obligation	139,123	102,800	90,721	70,023
ii.	Plan assets	103,894	63,417	58,940	48,219
iii.	Surplus/(deficit)	(35,228)	(39,383)	(31,781)	(21,804)
iv.	Experience adjustment plan liabilities	(19,341)	(8,692)	–	(1,466)
v.	Experience adjustment plan assets	684	526	–	–

21. The current year charge for Corporate Overhead Allocation includes Rs. 105,200 ('000) (Previous Year Rs. NIL) in respect of services rendered in previous year.

22. Prior year comparatives have been re-grouped, re-classified to conform to the current year presentation, wherever applicable.

Signatures to Schedules 1 to 16 forming part of the Balance Sheet as at December 31, 2010 and the Profit and Loss Account for the year ended December 31, 2010.

For and on behalf of the Board of Directors

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

Jeetendra Mirchandani
Partner
Membership No. 48125

M. N. Bhagwat
Chairman

Anant Maheshwari
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Financial Officer

Place : Mumbai
Date : February 9, 2011

Place : Mumbai
Date : February 9, 2011

**Cash Flow Statement
for the year ended
December 31, 2010**
**Honeywell Automation India Ltd.
Annual Report 2010**

Particulars	Year ended December 31, 2010 (Rs. '000)	Year ended December 31, 2009 (Rs. '000)
A. Cash Flow From Operating Activities		
Net Profit Before Tax	1,388,956	1,819,866
Adjusted for		
Depreciation / Amortisation	128,990	118,627
Interest charged	843	6,136
Interest earned	(79,724)	(41,593)
(Profit)/Loss on sale of assets sold/discarded	17,429	20,636
Unrealised Exchange (Gain)/ Loss (net) on restatement of foreign currency assets and liabilities	<u>(3,046)</u>	<u>(9,230)</u>
Operating profit before working capital changes and other adjustments	1,453,448	1,914,442
Adjustments for		
Trade and other receivables	(1,458,095)	583,279
Inventories	17,198	(134,177)
Trade and other payables	<u>866,744</u>	<u>(120,100)</u>
Cash generated from operations	879,295	2,243,444
Direct taxes paid	<u>(423,029)</u>	<u>(644,295)</u>
NET CASH FROM OPERATING ACTIVITIES	456,266	1,599,149
B. Cash Flow from Investing Activities		
Purchase of fixed assets including Capital Work In Progress	(157,743)	(192,737)
Proceeds from sale of fixed assets	2,335	3,171
Inter Corporate Deposits (Net)	803,986	(459,650)
Interest Received	<u>51,466</u>	<u>41,001</u>
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	700,044	(608,215)
C. Cash Flow from Financing Activities		
Borrowings (net of repayments)	(1,248)	(118,410)
Interest Paid	(843)	(6,136)
Dividend paid	<u>(103,309)</u>	<u>(165)</u>
NET CASH USED IN FINANCING ACTIVITIES	(105,400)	(124,711)
NET CHANGES IN CASH AND CASH EQUIVALENTS (A+B+C)	1,050,910	866,223
CASH AND CASH EQUIVALENTS - OPENING BALANCE	1,060,915	194,692
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	2,111,825	1,060,915

NOTES:

- The above Cash Flow statement has been prepared under the 'Indirect Method' set out in Accounting Standard (AS) - 3 on Cash Flow Statements notified u/s 211 (3C) of the Companies Act, 1956.
- Prior year comparatives have been reclassified to confirm with current year's presentation, where applicable.
- Cash and cash equivalents include cash and bank balances.
- Figures in brackets represent out flows of cash and cash equivalents.

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

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

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Mumbai
Date : February 9, 2011

For and on behalf of the Board of Directors

M. N. Bhagwat
Chairman

Sneha Padve
Company Secretary

Place : Mumbai
Date : February 9, 2011

Anant Maheshwari
Managing Director

Atul Pai
Chief Financial Officer

**GENERAL BUSINESS
PROFILE** (contd.)

**Honeywell Automation India Ltd.
Annual Report 2010**

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

Anant Maheshwari
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Financial Officer

Place : Mumbai
Date : February 9, 2011

Company's Philosophy on the Code of Governance

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

Board of Directors**Composition:**

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

Remuneration of Directors

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. The commission is paid at a rate not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956.

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

Committees of the Board:

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

The Board met four times on the following dates during the year ended 31st December 2010 and the gap between two meetings did not exceed four months:

February 1, 2010 April 22, 2010 July 16, 2010 October 13, 2010

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, 2010 are given below:

Name	Category	No. of Board meetings attended during 2010	Attendance at the last AGM held on April 22, 2010	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. M.N. Bhagwat (Chairman)	Independent Non-Executive	4	Yes	3	3	Nil
Mr. Shane Tedjarati	Promoter Not Independent Non-Executive	2	No	Nil	Nil	Nil
Mr. Gerard Willis	Promoter Not Independent Non-Executive	3	Yes	Nil	Nil	Nil
Mr. Anant Maheshwari* Managing Director	Executive Director	3	Yes	Nil	Nil	Nil

Name	Category	No. of Board meetings attended during 2010	Attendance at the last AGM held on April 22, 2010	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. S.L. Rao	Independent Non-Executive	3	Yes	4	2	4
Mr. Norman Gilsdorf	Promoter Not Independent Non-Executive	0	No	Nil	Nil	Nil
Mr. Vimal Kapur* Managing Director	Executive Director	1	No	Nil	Nil	Nil

*Mr. Vimal Kapur resigned with effect from 01/03/2010 and Mr. Anant Maheshwari was appointed in his place.

Audit Committee

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

1. Oversight the Company's financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the board, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
5. Reviewing with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

8. Discussions with internal auditors of any significant findings and follow-up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussions with external auditors before the audit commence, about the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee met on the following dates during the year ended 31st December 2010:

January 31, 2010 April 21, 2010 July 15, 2010 October 11, 2010

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	2
Mr. M. N. Bhagwat	4	4

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

Remuneration Committee:

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

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 9, 2011, to appraise and decide the compensation payable to the Managing Director.

The Company pays remuneration to its Managing Director by way of salary, perquisites and allowances (a fixed component) and commission (a variable component). Salary is paid within the range approved by the Shareholders. The Board on the recommendations of the Remuneration Committee approves the annual increments (effective 1st April each year).

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

**CORPORATE GOVERNANCE
REPORT (contd.)**
**Honeywell Automation India Ltd.
Annual Report 2010**

Given below are the details of Remuneration paid to Non-Executive Directors for the year January to December 2010 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	1600	700
Mr. S.L. Rao	160	1500	Nil

The criteria for determination of Commission to Non-Executive Independent Directors as approved by the Board include roles, responsibilities and contribution to the Company as Chairman/Member of the Board and various Committees of the Board. Criteria also include attendance at the meeting of the Board and various Board Committees.

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

Managing Director :

(Rs. in '000)

Name	Salary & Allowances	Commission for the year 2010
Mr. Vimal Kapur	3925.80	Nil
Mr. Anant Maheshwari	6670.59	3500

Period of Contract of MD : 3 years from March 1, 2010

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. Anant Maheshwari – Member, Managing Director

The Committee met on October 13, 2010 during the last financial year.

Name, designation & address of Compliance Officer :

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

No. of queries received from the investors from 1.1.2010 to 31.12.2010 comprising of Non-receipt of Dividend Warrants, Non-receipt of securities sent for transfer, Demat etc. 6

No. not solved to the satisfaction of the investor as on 31.12.2010 0

No. of pending share transfers as on 31.12.2010 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 - 09.04.2008 and 16.04.2009 and 22.04.2010

AGM held on 09.04.2008 was held at Hotel Blue Diamond, Koregaon Park, Pune 411 001 at 2.30 p.m.

AGM held on 16.04.2009 was held at Hotel Le Meridien, RBM Road, Pune 411 001 at 3.00 p.m.

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

Whether Special Resolutions passed in the last 3 AGMs : No

Whether Special Resolutions :

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

Disclosures
Related Party Transactions:

Related party transactions [as per Clause 49(IV)(A)] are defined as the transactions of the Company of a material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

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

All transactions covered under the related party transactions are regularly ratified and/or approved by the Board. There were no material transactions during the year 2010 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 half yearly by the Board of Directors.

Statutory Compliance, Penalties and Strictures:

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

Statutory Compliance:

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

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 Honeywell code of conduct for the current year.

Compliance with Clause 49:

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

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

Means of Communication :

Quarterly Results :

Which newspapers normally published in: Economic Times, Maharashtra Times

Any website, where displayed: www.honeywellautomationindia.com

Whether it also displays official news

Releases; and the presentations
Made to institutional investors/analysts Yes

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

General Shareholder Information
AGM: Date, time and venue -

April 21, 2011 at 4.00 p.m. at Honeywell Automation India Limited,
56 & 57 Hadapsar Industrial Estate, Pune 411 013.

As required under clause 49 VI (A), particulars of Directors seeking reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on April 21, 2011.

Financial Calendar - Year ending December 31
AGM April 21, 2011

Dividend Payment Date - April 28, 2011

Date of Book Closure - Tuesday, April 5, 2011 to Thursday, April 14, 2011
(both days inclusive)

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

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

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

The Company had paid annual listing fees to each of the above exchanges for the financial year 2010-11.

Stock Code –

The Stock Exchange, Mumbai :

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

Market Price Data – BSE

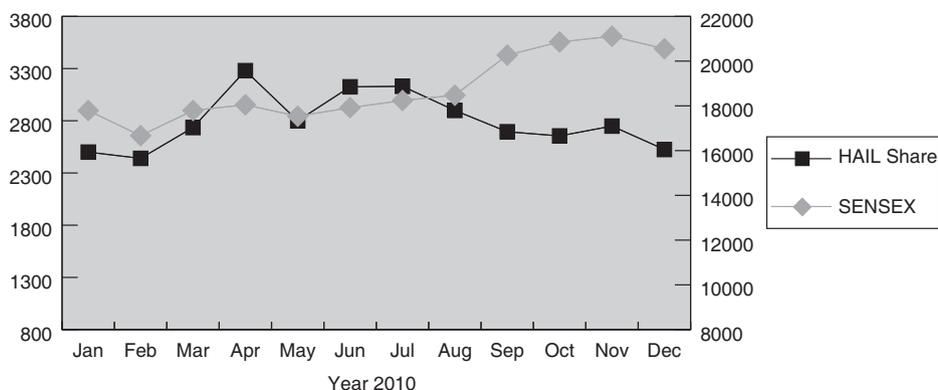
	The Stock Exchange, Mumbai (in Rs.)			
	High	Low	Avg. Volume per day (No. of shares)	Avg. No. of Trades per day
January 2010	2500.00	1800.00	1229	139.71
February 2010	2440.00	2100.00	1501	172.90
March 2010	2735.05	2392.05	1159	147.61
April 2010	3279.85	2640.00	5930	803.18
May 2010	2800.00	2305.00	2433	372.05
June 2010	3125.00	2551.10	5333	741.59
July 2010	3130.00	2751.10	4039	562.09
August 2010	2899.00	2356.00	1987	239.77
September 2010	2695.00	2371.00	1230	151.68
October 2010	2655.00	2321.20	1873	266.53
November 2010	2749.00	2410.00	1371	202.64
December 2010	2525.00	2200.00	723	106.05

NSE Stock Symbol: HONAUT

Market Price Data – NSE

	National Stock Exchange of India Ltd. (in Rs.)		
	High	Low	Avg. Volume per day (No. of shares)
January 2010	2460.00	2135.00	1648
February 2010	2450.00	2200.00	2326
March 2010	2747.00	2410.00	1248
April 2010	3274.00	2634.00	5258
May 2010	2799.00	2321.00	2604
June 2010	3118.80	2551.00	6919
July 2010	3094.00	2750.00	5292
August 2010	2900.00	2347.15	1916
September 2010	2659.40	2365.00	1642
October 2010	2649.00	2373.00	4852
November 2010	2875.00	2416.00	2211
December 2010	2700.00	2118.30	973

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



**CORPORATE GOVERNANCE
REPORT (contd.)**
**Honeywell Automation India Ltd.
Annual Report 2010**

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

Share Transfer System : Share Transfers in physical form can be lodged with **TSR Darashaw Ltd.** at the above mentioned address or at their branch offices, addresses of which are available on their website.
The Transfers are normally processed within 15 days if the documents are complete in all respects. Certain Directors and the Company Secretary are severally empowered to approve transfers.

Distribution of Shareholding :

Number of Ordinary Shares held	Number of Shares	
	31-12-2010 (%)	31-12-2009 (%)
1 to 500	8.61	8.56
501 to 1000	1.17	1.15
1001 to 2000	0.84	0.84
2001 to 3000	0.32	0.62
3001 to 4000	0.49	0.37
4001 to 5000	0.27	0.43
5001 to 10000	1.18	1.14
Over 10000	87.12	86.89
Total	100.00	100.00

Categories of Shareholders :

Category	No. of shareholders	No. of shares held
Foreign Promoters	1	7182475
Non Resident Individuals	236	17128
Foreign Institutional Investors	10	52735
Banks	2	380
Mutual Funds	9	366038
Central Government / State Governments(s)	1	285
Domestic Companies	446	174394
Resident Individuals	11726	1047774
Trust and Charitable Institutions	3	314
	12434	8841523

Dematerialisation of shares and liquidity : The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. 98.23% of the Company's share capital is dematerialised as on 31.12.2010.

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

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

Nil

Plant locations : N.A.

Address for correspondence : Honeywell Automation India Limited,
56 & 57, Hadapsar Industrial Estate,
Pune 411 013.
Tel.: (020) 66039400
Fax: (020) 66039800
E-mail: CorpComIndia@honeywell.com
Website: www.honeywellautomationindia.com

Declaration - Code of Conduct

As per Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management personnel have affirmed compliance with the applicable Honeywell Code of Conduct for the financial year 2010.

For **Honeywell Automation India Limited**

Mumbai, February 9, 2011

Anant Maheshwari
Managing Director

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of
HONEYWELL AUTOMATION INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Honeywell Automation India Limited, for the year ended December 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

Place : Mumbai
Date : February 9, 2011

Jeetendra Mirchandani
Partner
Membership No. 48125

HONEYWELL AUTOMATION INDIA LIMITED

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

ATTENDANCE SLIP

I hereby record, my presence at the TWENTY SEVENTH ANNUAL GENERAL MEETING of the Company at Honeywell Automation India Ltd., 56 & 57 Hadapsar Industrial Estate, Pune 411 013 at 4.00 p.m. on Thursday, April 21, 2011.

NAME OF SHAREHOLDER/PROXY _____

FOLIO NO. _____ NO. OF SHARES HELD _____

SIGNATURE OF THE
ATTENDING MEMBER/PROXY _____

NOTES :

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

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

HONEYWELL AUTOMATION INDIA LIMITED

PROXY

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

I/We

Of _____ in the district of being

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

of _____ in the district of or

failing him, _____ of _____ as

my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Seventh Annual General Meeting of the Company at Honeywell Automation India Ltd., 56 & 57 Hadapsar Industrial Estate, Pune 411 013 at 4.00 p.m. on Thursday, April 21, 2011 and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Signature Shareholder



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.