

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>

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Senior Management Team

Mr. Ananthanarayanan K. V.	Head - Legal
Mr. Bagaikar Ravi	Head - Honeywell Operating System
Mr. Bansal Rohit	Head - Sensing & Controls
Mr. Biswas Amitava	Head - Process Solutions
Mr. Godbole Milind	Head - Building Solutions
Mr. Kamal Asad	Head - Strategy & Marketing
Mr. Kelkar Anant	Head - Integrated Supply Chain
Mr. Mitter Kaushik	Head - Human Resources
Ms. Nemade Snehal	Head - Audit & Internal Controls
Mr. Patil Ajay	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 2011**

NOTICE is hereby given that the **TWENTY-EIGHTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held **at 4.00 p.m. on April 20, 2012** 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, 2011 and the Balance Sheet as at that date.
2. To declare dividend.
3. To appoint a Director in place of Mr. M. N. Bhagwat who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. Tedjarati who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

NOTES:

- a) The Company's shares are under the compulsory demat list. Shareholders are requested to utilise this facility to their advantage.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, April 5, 2012 to Thursday, April 12, 2012 (both days inclusive).
- c) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
- d) Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the management to reply at the general meeting.
- e) Members are requested to promptly notify any change in their address to the Company's Registrars & Share transfer Agents, namely, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 2005 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, 2005 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.
- g) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.
- h) Shareholders are requested to bring their copy of Annual report to the meeting.

By order of the Board of Directors

Gurgaon, February 9, 2012

Sneha Padve
Company Secretary

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

Notice (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****Item Nos. 3 & 4:**

Name of Director	Mr. M. N. Bhagwat	Mr. Shane Tedjarati
Date of Birth	04.06.1932	16.11.1962
Date of Appointment	02.11.2004	14.10.2008
Expertise in specific functional areas	Engineering	Engineering
Qualifications	<ol style="list-style-type: none"> 1. B.E. (Mechanical & Electrical), University of Pune. 2. M.S. Mechanical Engineering, University of Illinois, USA. 3. Diploma in Business Management, Bajaj Management Institute, Mumbai. 	<ol style="list-style-type: none"> 1. McGill University, Montreal- Computer Science and Mathematics. 2. University of Surrey, United Kingdom - MBA.
List of public Companies in which outside Directorships held as on December 31, 2011	Kenametal India Limited Walchand People First Limited Technopolis Knowledge Park Ltd.	—
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2011	Kenametal India Limited: Chairman - Audit Committee. Walchand People First Limited: Chairman - Audit Committee.	—

Directors' Report

Honeywell Automation India Ltd. Annual Report 2011

Dear Members,

The Directors present the **TWENTY-EIGHTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2011.

1. FINANCIAL RESULTS :

Particulars	Year ended December 31, 2011 (Rs. in lacs)	Year ended December 31, 2010 (Rs. in lacs)
Sales & Other Income	162936	136377
Operating Profit	16136	15188
Less:Interest	84	8
Depreciation	1481	1290
Profit for the year	14570	13890
Provision for tax	4804	3655
Deferred Tax Adjustment	(948)	(270)
PROFIT AFTER TAX	10714	10505
Profit brought forward from the previous year	39331	30908
Profit available for appropriations	50046	41413
APPROPRIATIONS		
General Reserve	1071	1050
Proposed Dividend	884	884
Tax on proposed dividend	143	147
BALANCE CARRIED FORWARD	47947	39331

2. DIVIDEND:

Final dividend @Rs.10/- per share of Rs.10/- each was recommended by the Board in their meeting held on February 9, 2012.

3. OPERATIONS:

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

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

4. COMMUNITY DEVELOPMENT WORK:

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

Some of the initiatives under CSR were as follows:

Education:

- Child Sponsorship Project at Kolwan Valley near Pune. Sponsorship for health and education expenses for 50 students' upto standard 10 and Sponsorship of 5 girl students for their engineering studies.
- Different programs were organized for teachers & Students from 1st to 7th class for Maths, Geography, Chemistry, vocational courses etc. at various schools.
- Scholarship program for Contract labour children - 52 students were sponsored for school fees, books & stationery.

Health:

- Conducted two programs and medical checkup camps in and around rural areas near Pune for Health Awareness.
- Blood Donation camp were organized at different locations at Pune during the year.

Environment:

- Tree plantations at 2 schools - 250 trees planted in the schools and 150 books were given to the school library to teach the students to take care of plants.

5. DIRECTORS:

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. M.N. Bhagwat and Mr. S. Tedjarati, retire by rotation and are eligible for reappointment.

6. MANAGEMENT DISCUSSION & ANALYSIS/CORPORATE GOVERNANCE REPORT:

In accordance with 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:

In accordance with 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 2011 is annexed and forms part of the Corporate Governance Report.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

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

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

9. AUDITORS:

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

10. OTHER INFORMATION:

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

In line with the initiative taken by the Ministry of Corporate Affairs ("Ministry") allowing companies to send their Annual Reports through electronic mode vide its recent circulars bearing no.17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011, your Company has started the facility to send the Annual Report to its shareholders through electronic mode, to the registered email addresses of the shareholders. We have received a response to this facility and would request more shareholders to come forward and obtain the Annual Report over email and contribute towards this Green Initiative.

11. ACKNOWLEDGEMENT:

The Board would like to place on record its appreciation and thanks to all its employees for their dedication and contribution towards the Company's performance. The Board also thanks its customers, investors, vendors, regulatory authorities and bankers for their business and support it has received from them.

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

Gurgaon, February 9, 2012

Registered Office:

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013

Annexure to Directors' Report**A) CONSERVATION OF ENERGY:**

Your Company continues to make every effort to conserve energy required for all its operations. Some of the key initiatives undertaken in 2011 for the same are as under:

- Electrical Audit was conducted by MITCON and all suggestions for energy saving were implemented.
- Energy meters are installed in office buildings to optimize energy consumption.
- Multiple air conditioning units have been closed and a single energy efficient unit has been installed in each building.
- Negotiations were done with MSEB to ensure that load shedding for our area was shifted to Sunday instead of Thursday leading to lower utilization of diesel generating set.
- Solar water heater systems have been installed in the canteen and gym facilitating lower consumption of electricity.
- Observed environment & energy conservation days' across the Company to increase awareness among employees and business associates on energy utilization and saving.

Your Company continues with its work in providing solutions to various customers through its Building Solutions and other businesses which have significant impact on energy conservation.

B) TECHNOLOGY ABSORPTION:

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

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. '000)
(i) Foreign Exchange Earned	60,492,52
(ii) Foreign Exchange Used	58,057,68

PERFORMANCE OF KEY FINANCIAL INDICATORS AND HIGHLIGHTS OF 2011

- External Orders up by 5%
- Sales at Rs.16,125 million, up by 19%
- Net Income at Rs.1,071 million, marginally higher than last year by 2%
- Cash flow from operations was negative Rs.184 million

INDUSTRY OUTLOOK AND OPPORTUNITIES

Your Company's operating results are largely influenced by market factors such as Industrial Production, Capital Spending on Process and Building Automation, Commercial and Infrastructure Construction, Commodity prices and Foreign Exchange variations. Economic and industry conditions regarding Environment, Security and Safety end markets and Regulations also have an impact on your Company's operation. Some of the important market conditions were:

- Exports volume is largely originated through Honeywell companies around the world. During the year under review, there have been significant economic and competitive pressures caused due to slow down in developed markets. Overall geographic mix of global business is also shifting to other countries in Asia, Middle-East, South America and Eastern Europe – this change significantly reduces the cost benefit of sourcing services from India by Honeywell entities. Competitive pressures especially from developing nations in Eastern Europe and Central Asia are ever increasing with comparable options available to customers closer to their geographies.
- Government spending is critical for development of core infrastructure like Roads, Ports, Airports, Mass Transportation Systems, Energy Conservation, Safety and Electronic Security Systems etc. Such spending supports volume growth of Buildings Solutions business group of your Company, and such spending has declined.
- For Process Solutions Business, continued incremental investment in Refining, Power Generation, Transmission and Distribution, Oil Exploration projects offset 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.
- Rapid urbanization is making Tier 2 and Tier 3 cities along with rural economy as the new growth areas for sustaining economic development. During the year under review, your Company has initiated steps to augment infrastructure in Tier 2 and Tier 3 cities which will help in sustaining business growth in coming years.

Honeywell Process Solutions (HPS):

HPS Solutions offerings include Distributed Control Systems, Field Instruments, Programmable Logic Controllers, Emergency Shutdown Systems (ESD), Quality Controls Systems (QCS), Process and Business Performance Improvement Solutions and various value added services. Overall, 2011 has been a good year for HPS, having won several prestigious projects as well as strengthened its position in key vertical of Oil and Natural Gas. Some of the key wins were OPAL Petrochemicals, Reliance Industries and NOCL.

2012 is likely to be a challenging year for HPS due to prevailing economic and political environment which may cause delay in policy legislation, lower growth of Industrial production and continued competitive pressures in the market. Opportunities in the green field refining sector are declining and your Company shall rely heavily on the limited investments in petrochemicals / fertilizers and upgrade / expansion of Oil Terminals / Storage projects in India. Your Company has a strong position in each of these 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 2012.

Honeywell Building Solutions (HBS):

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

This business continued its consistent track record in Airports and Office Space vertical and accelerated its presence in Healthcare and Pharmaceutical verticals in 2011. Major wins / customers include Kolkata Airport, Tata Consultancy Services, Cognizant Technology Solutions, AIIMS, Sahyadri Hospital, Dr. Reddy's Laboratories and Royal Bank of Scotland.

With a proven track record, an ability to innovate, world class large project execution capability and solid systems and processes for execution and life cycle management, this business is poised for sustained growth in 2012.

Environment and Combustion Control (ECC):

Based on increasing demand in Tier 2 and Tier 3 cities and revival in the hospitality and commercial real estate sector, ECC continued double digit growth in 2011. Channel volumes, expansion of distribution footprint to Tier 2 and Tier 3 cities, key project

wins in the Building Management System business were the highlights of the year. Some of the major wins were ITC Hotel, Formula 1 racing track, ESIC hospitals etc. Industrial Combustion Control business continued to see positive trends with revival of industrial demand in the last year. Solar water heaters launched in early 2009 continued to report strong sales albeit on lower base. Government policies for encouraging renewable energy solutions are helping in leveraging large commercial opportunities in this space.

Consolidation of Commercial Construction and Real Estate segment, along with urbanization of Tier 2 and Tier 3 cities, would drive growth of the diversified product portfolio for the business in 2012 and beyond. We remain cautious on the overall liquidity situation and interest rates scenario for 2012 which may affect credit availability in Commercial construction segment, which directly affect the volume of the ECC business.

Sensing and Control (S&C):

Continued strong sales and operating margin performance for S&C in 2011 over 2010 across all lines of business viz. Electromechanical, Electro Sensing, Test & Measurement and Transportation vertical for the business grew considerably in 2011 due to localization and strong demand.

Your Company will continue to remain focused on verticals like Industrial, Transportation, Military/Aerospace and Medical. Another important initiative is expansion of distribution network especially for greater coverage of industrial customers. During the year there have been significant new business opportunities (NBOs), which resulted in major wins with customers like Mahindra and Mahindra, Kirloskar Oil Engines etc. These NBOs are expected to provide strong referral as well as revenue growth in coming years.

Exports:

Global Services (GS) mainly provides various engineering services, product manufacturing solutions and other software engineering services. These services are mainly provided to Honeywell companies around the world. With prevailing economic and competitive scenario in rest of the world, GS are under tremendous pressure to meet productivity targets and meet competitive pricing. Your Company has reviewed the billing rates and consequently lower billing rates are agreed to with effect from January, 2012. These changes to billing rates are carried out after considering prevalent economic conditions, cost pressures and service availability through competition.

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 drive maturity of these processes in the business. The business continued to drive cost and engineering productivity under this framework. Service expansion to other Honeywell companies has diversified the business. This has also resulted in skill expansion within the team.

The global manufacturing initiative is now stabilizing with steady demand from Honeywell companies. The business made earnest efforts to sustain profitability in light of weak global economic volumes. Your Company has limited risk and return on this initiative as it purely works as a manufacturer for global associate companies of Honeywell. During the year under review, certain products belonging to Airport Securities Group (ASG) were added to your Company's global manufacturing operations.

FINANCIALS

Overall Net Sales at Rs. 16,125 million, up 19% compared to previous year, reporting a strong revenue growth in the given economic conditions, as all segments have not completely recovered from the recessionary trends. The exports segment of the business registered a good growth of 11.6%. This growth was achieved amidst competitive challenges on pricing and adverse order backlog mix affecting sales volumes. The domestic business growth was an impressive 23%, representing a strong execution on backlog contracts.

Overall Net Income was Rs 1,071 million, marginally up by 2%, primarily due to

- Strong focus on cost optimization actions and to increase productivity in a competitive domestic environment to sustain profitability.
- Corporate allocation is lower by Rs.103 million, as allocation in 2010 included charges of prior year representing your Company's share of international expenses charged by Honeywell International to all its affiliate companies in compliance with global Transfer Pricing regulations. Also refer to Note 20 of Schedule 16, page 37.
- The unfavourable revenue mix, lower gross margin caused due to cost inflation on labour and manufacturing expenses driving overall cost of goods sold higher by 200 bps. Besides, green field installed base of the Company, due to competitive environment contributes lower margins. Participation in such green field projects provide long term returns over the life cycle of such projects to your Company.
- Competitive pressure on margins in the project and product business driven by lower selling prices as a result of the competitive market environment.
- Your Company continues to invest in attracting top talent and also to remain a preferred employer. During the year, manpower expense was higher by 28% which was caused due to 8% increase in headcount and wage rate inflation seen in the industry.
- During the year your Company was under severe pressure due to tight money market conditions and a very challenging business, economic environment, which caused the company to take higher charge on account of Liquidated Damages, Provision for Doubtful Debts and Bad Debt by 83% year on year.

Cash flow from operations reflected adverse liquidity and tight money market conditions, Cashflow was negative Rs.184 million, (previous year positive Rs.456 million) primarily due to large infrastructure projects having extended payment milestones and constrained credit markets in the overall commercial construction space resulted in increased working capital. While your Company was able to mitigate some risk on working capital, the overall project receivable and retentions increased beyond the proportion of project revenues thereby causing stress on overall cash flow from operations. Your Company will continue to strive to have better working capital performance in generating positive operating cash flows in proportion to its Net Income.

RISKS AND CONCERNS

Your Company generates a large percentage of its sales and profits from its business with the Honeywell group (Honeywell), its major shareholder. Sales to Honeywell accounted for approximately 31% and 32% of total net sales in fiscal years 2011 and 2010, respectively. Your Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors, including our ability to (i) identify emerging trends and customer requirements and develop product and service offerings superior to those of our competitors, (ii) meet or surpass the price, quality and delivery requirements of Honeywell and its end-customers in a cost-effective and competitive manner, and (iii) develop and retain employees and leaders with the necessary expertise. However, your Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell-specific business considerations (independent of its shareholdings in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by your Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company. Pricing pressures on sales of goods and services to Honeywell or a reduction in the volume or change in the mix of orders or sales to Honeywell can be expected to have a material adverse impact on the revenues and profits of the Company. Your Company has reviewed billing rates for services rendered to Honeywell, with effect from January 2012. These rates reflect the current competitive and economic environment and it is estimated that such impact on your Company's total revenue will be approximately up to 1.5% in 2012.

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

Your Company has initiated aggressive cost and productivity actions 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 officers of the Company are required to certify on an annual basis whether there have been any transactions which are fraudulent, illegal or in violation to the Code of Conduct. Strong oversight and self monitoring policies and procedures demonstrate your Company's commitment to the highest standards of integrity.

• Budget Control

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

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

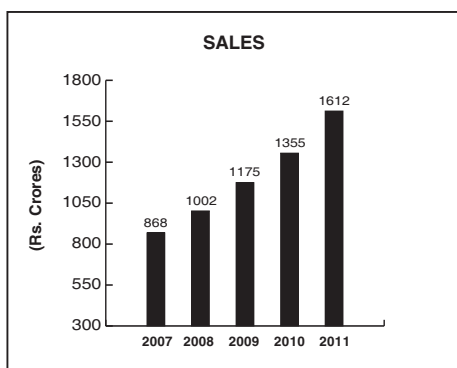
The Board of Directors review the business performance every Quarter and suggest the corrective actions to ensure that performance is in line with the budgets.

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

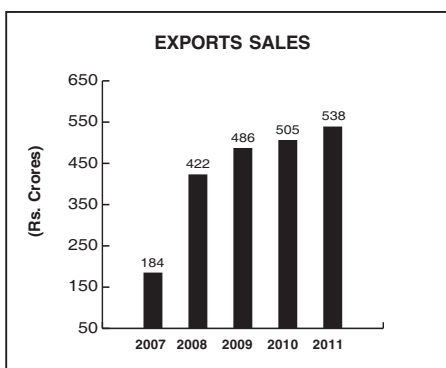
Summary

A more balanced revenue mix of domestic revenue v/s exports revenue saw a moderate earning performance for 2011. 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.

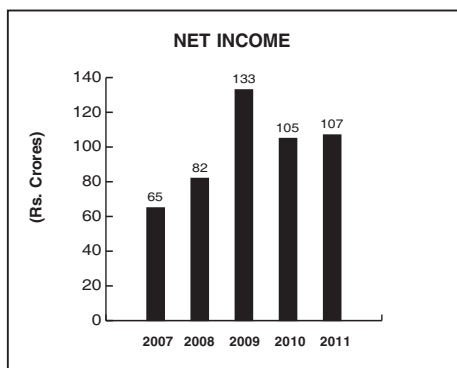
FINANCIAL PERFORMANCE



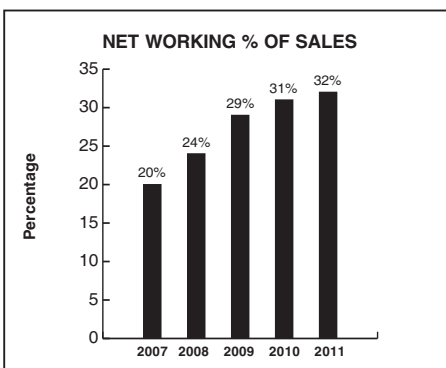
Total Sales grew by a strong 19% year on year. Strong domestic sales growth of 26%, while exports growth is muted due to global economic environment.



Exports sales growth marginally up by 6% over prior year due to global lines manufacturing and hardware. Engineering services revenue grew by modest 5%.



Marginal growth in Net Income by 2% over prior year due to productivity gain and lower corporate expenses allocation offset by unfavorable sales mix, competitive pressures on margin, increased employee related expenses.



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

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 2011**

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, 2011, 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 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, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2011 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, 2011;
 - (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 Number: 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Mumbai
Date : February 9, 2012

**Annexure to the
Auditors' Report****Honeywell Automation India Ltd.
Annual Report 2011**

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, 2011

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 of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(c) 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.
(d) 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, 2011 which have not been deposited on account of a dispute, are as follows:

Annexure to the Auditors' Report

Honeywell Automation India Ltd. Annual Report 2011

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)
Maharashtra Value Added Tax, 2002	Value Added Tax & Central Sales Tax	10,483	2007-08	Joint Commissioner of Sales Tax (Appeals)
Karnataka Value Added Tax, 2003	Value Added Tax	11,034	2006-07 and 2007-08	JCCT (Appeal), Karnataka
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)
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	137,066	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, 2011 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 Number: 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Mumbai
Date : February 9, 2012

**Balance Sheet as at
December 31, 2011**
**Honeywell Automation India Ltd.
Annual Report 2011**

	Schedule	As At December 31, 2011 (Rs. '000)	As At December 31, 2010 (Rs. '000)
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	88,415	88,415
b) Reserves and Surplus	2	6,214,102	5,245,428
	Total	6,302,517	5,333,843
APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	3	1,547,293	1,468,008
b) Less: Depreciation/Amortisation		805,614	714,865
c) Net Block		741,679	753,143
d) Add: Capital Work-in-progress		27,270	8,772
		768,949	761,915
2. Deferred Tax Assets (Net) [Refer Note 1 (k) and 2 (v) of Schedule 16]		403,631	308,868
3. Current Assets, Loans and Advances			
Inventories	4	834,601	788,267
Sundry Debtors	5	3,656,852	3,110,633
Contracts in progress (Refer Note 17 of Schedule 16)		2,352,869	1,010,354
Cash and Bank balances	6	1,765,649	2,111,825
Other Current Assets	7	116,550	133,271
Loans and Advances	8	1,362,269	1,022,703
		10,088,790	8,177,053
Less: Current Liabilities and Provisions			
Current Liabilities	9	4,187,712	3,288,614
Provisions	10	771,141	625,379
		4,958,853	3,913,993
Net Current Assets		5,129,937	4,263,060
	Total	6,302,517	5,333,843
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

Ajay Patil
Chief Financial Officer

Place: Mumbai
Date : February 9, 2012

Place: Gurgaon
Date : February 9, 2012

**Profit and Loss Account
for the year ended
December 31, 2011**
**Honeywell Automation India Ltd.
Annual Report 2011**

	Schedule	Year Ended December 31, 2011 (Rs. '000)	Year ended December 31, 2010 (Rs. '000)
INCOME FROM OPERATIONS AND OTHER INCOME			
Sales	11	16,352,465	13,741,238
Less : Excise Duty recovered		227,503	194,154
Net Sales		16,124,962	13,547,084
Other Income	12	168,650	90,571
		16,293,612	13,637,655
EXPENDITURE			
Material and Manufacturing Expenses	13	9,782,337	7,987,505
Employees' Remuneration and Benefits	14	2,835,535	2,215,305
Selling, Administration and Other Expenses	15	2,062,079	1,916,056
Interest (Refer Note 5 of Schedule 16)		8,481	843
Depreciation		148,119	128,990
		14,836,551	12,248,699
Profit Before Taxation		1,457,061	1,388,956
Provision for Taxation			
- Current Tax		480,391	404,340
- Deferred Tax		(94,763)	(27,014)
- Relating to earlier years		-	(38,830)
Profit After Taxation		1,071,433	1,050,460
Balance of Profit and Loss Account brought forward		3,933,124	3,090,810
Profit available for Appropriation		5,004,557	4,141,270
APPROPRIATIONS			
Proposed Dividend		88,415	88,415
Dividend Distribution Tax		14,344	14,685
Transfer to General Reserve		107,143	105,046
Balance carried to Balance Sheet		4,794,655	3,933,124
	Total	5,004,557	4,141,270
Basic/ Diluted Earnings per Share (Face Value Rs. 10 per share)			
		121.18	118.81
[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

Ajay Patil
Chief Financial Officer

Place: Mumbai
Date : February 9, 2012

Place: Gurgaon
Date : February 9, 2012

**Cash Flow Statement
for the year ended
December 31, 2011**
**Honeywell Automation India Ltd.
Annual Report 2011**

Particulars	Year ended December 31, 2011 (Rs. '000)	Year ended December 31, 2010 (Rs. '000)
A. Cash Flow From Operating Activities		
Net Profit Before Tax	1,457,061	1,388,956
Adjusted for		
Depreciation	148,119	128,990
Interest charged	8,481	843
Interest earned	(103,029)	(79,724)
(Profit) / Loss on sale of assets sold/discarded	(543)	17,429
Unrealised Exchange (Gain)/ Loss (net) on restatement of foreign currency assets and liabilities	(11,859)	(3,046)
Operating profit before working capital changes and other adjustments	<u>1,498,230</u>	<u>1,453,448</u>
Adjustments for		
Trade and other receivables	(2,210,596)	(1,458,095)
Inventories	(46,334)	17,198
Trade and other payables	<u>1,021,245</u>	<u>866,745</u>
Cash generated from operations	<u>262,545</u>	<u>879,296</u>
Direct taxes paid	<u>(447,130)</u>	<u>(423,029)</u>
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	<u>(184,585)</u>	<u>456,267</u>
B. Cash Flow From Investing Activities		
Purchase of fixed assets including Capital Work In Progress	(168,628)	(157,743)
Proceeds from sale of fixed assets	14,018	2,335
Inter Corporate Deposits (Net)	-	803,986
Interest Received	<u>104,569</u>	<u>51,466</u>
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	<u>(50,041)</u>	<u>700,044</u>
C. Cash Flow From Financing Activities		
Borrowings (net of repayments)	-	(1,248)
Interest paid	(8,481)	(843)
Dividend paid	<u>(103,069)</u>	<u>(103,310)</u>
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	<u>(111,550)</u>	<u>(105,401)</u>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	<u>(346,176)</u>	<u>1,050,910</u>
CASH & CASH EQUIVALENTS - OPENING BALANCE	<u>2,111,825</u>	<u>1,060,915</u>
CASH & CASH EQUIVALENTS - CLOSING BALANCE	<u>1,765,649</u>	<u>2,111,825</u>

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, 2012

For and on behalf of the Board of Directors

M. N. Bhagwat
Chairman

Sneha Padve
Company Secretary

Place : Gurgaon
Date : February 9, 2012

Anant Maheshwari
Managing Director

Ajay Patil
Chief Financial Officer

Schedules

Honeywell Automation India Ltd. Annual Report 2011

Schedules forming part of the Balance Sheet as at December 31, 2011

As At December 31, 2011 Rupees ('000)	As at December 31, 2010 Rupees ('000)
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SCHEDULE - 1 : SHARE CAPITAL

Authorised :

10,000,000 (Previous Year : 10,000,000) Equity Shares of Rs. 10 each

100,000

100,000

Issued

8,841,697 (Previous Year : 8,841,697) Equity Shares of Rs. 10 each

88,417

88,417

Subscribed and Paid-up

8,841,523 (Previous Year : 8,841,523) Equity Shares of Rs. 10 each, fully paid up

88,415

88,415

Note: 7,182,475 (Previous Year : 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, 2011 Rupees ('000)	As at December 31, 2010 Rupees ('000)
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SCHEDULE - 2 : RESERVES AND SURPLUS

Securities Premium Account

157,708

157,708

General Reserve

As per last Balance Sheet

1,154,596

1,049,550

Add: Transferred from Profit and Loss Account

107,143

105,046

1,261,739

1,154,596

Balance in Profit and Loss Account

4,794,655

3,933,124

6,214,102

5,245,428

Schedules (contd.)

Honeywell Automation India Ltd.
Annual Report 2011Schedules forming part of the Balance Sheet
as at December 31, 2011

SCHEDULE - 3 : 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, 2010	Additions during the year	Deletions/ Adjustments during the year	Cost as on December 31, 2011	Accumulated Depreciation/ Amortisation as on December 31, 2010	Depreciation/ Amortisation for the year	Depreciation/ Amortisation on deletions during the year	Accumulated Depreciation/ Amortisation as on December 31, 2011	As on December 31, 2011	As on December 31, 2010
Tangible Assets										
Land	3,024	-	-	3,024	-	-	-	-	3,024	3,024
Buildings	361,726	1,979	-	363,705	50,969	14,802	-	65,771	297,934	310,757
Plant and Machinery	432,718	25,935	2,956	455,697	205,047	36,535	2,476	239,106	216,591	227,671
Computers	289,131	71,509	75	360,565	209,315	56,306	75	265,546	95,019	79,816
Furniture and Fixtures	124,055	12,262	90	136,227	49,436	14,235	90	63,581	72,646	74,619
Office Equipment	18,949	5,468	240	24,177	13,686	2,756	231	16,211	7,966	5,263
Vehicles	88,606	30,056	29,566	89,096	41,069	21,058	16,580	45,547	43,549	47,537
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	32,191	2,921	26,272	8,840	27,735	2,427	26,272	3,890	4,950	4,456
Total	1,468,008	150,130	70,845	1,547,293	714,865	148,119	57,370	805,614	741,679	753,143
Previous Year	1,558,064	184,183	274,239	1,468,008	840,350	128,990	254,475	714,865		
Capital Work in Progress (Including advances on Capital Account)									27,270	8,772
									768,949	761,915

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedules forming part of the Balance Sheet
as at December 31, 2011**

	As at December 31, 2011 Rupees ('000)	As at December 31, 2010 Rupees ('000)
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SCHEDULE - 4 : INVENTORIES(As valued and certified by the Management)
[Refer Note 1(c) of Schedule 16]

Raw Material [Including Raw Material in Transit of Rs.66,690('000) Previous Year Rs.26,692('000)]	621,198	614,813
Trading Stock	139,982	91,453
Work-in-Progress	34,205	38,824
Finished Goods	39,216	43,177
TOTAL	834,601	788,267

SCHEDULE - 5 : SUNDRY DEBTORS

Sundry Debtors (Unsecured)

Outstanding for a period exceeding six months

– Considered Good

– Considered Doubtful

403,912	425,313
435,761	402,705
839,673	828,018

Other Debts

– Considered Good

– Considered Doubtful

3,252,940	2,685,320
37,141	14,415
3,290,081	2,699,735

Less: Provision for doubtful debts

472,902	417,120
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[This includes Retention Money of Rs.311,369('000)
Previous Year Rs. 575,638 ('000)]

TOTAL	3,656,852	3,110,633
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SCHEDULE - 6 : CASH AND BANK BALANCES

Bank Balance with Scheduled Banks

- On Current Account

- On Fixed Deposits

290,416	328,192
1,475,233	1,783,633

TOTAL	1,765,649	2,111,825
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SCHEDULE - 7 : OTHER CURRENT ASSETS

Interest accrued on Fixed Deposits with Banks

Unbilled services

27,310	28,850
89,240	104,421

TOTAL	116,550	133,271
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Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedules forming part of the Balance Sheet
as at December 31, 2011**

As at December 31, 2011 Rupees ('000)	As at December 31, 2010 Rupees ('000)
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SCHEDULE - 8 : LOANS AND ADVANCES
(Unsecured, Considered Good)

Advances recoverable in cash or in kind or for value to be received	833,707	576,605
Balance with Central Excise, Custom Authorities etc.	220,672	104,947
Advance Income Tax, including tax deducted at source (net of provisions) (Refer Note 4 of Schedule 16)	307,890	341,151
TOTAL	1,362,269	1,022,703

SCHEDULE - 9 : CURRENT LIABILITIES**Current Liabilities**

Acceptances	417,689	379,170
Sundry Creditors		
- Dues to Micro and Small enterprises [Refer note 3(b) of Schedule 16]	19,681	28,189
- Dues to creditors other than Micro and Small enterprises	3,554,671	2,719,425
Advance from Customers	124,415	109,408
Unclaimed Dividend*	1,697	1,666
Other Liabilities	69,559	50,756
TOTAL	4,187,712	3,288,614

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

SCHEDULE - 10 : PROVISIONS

Proposed Dividend	88,415	88,415
Dividend Distribution Tax	14,344	14,685
Warranty (Refer Note 18 of Schedule 16)	50,017	133,864
Disputed Statutory Matters (Refer Note 18 of Schedule 16)	124,791	118,075
Gratuity and Other Retirement Benefits(Refer Note 1 (i)(i) and 19 of Schedule 16)	85,675	35,228
Compensated Absences (Refer Note 1 (i)(ii) of Schedule 16)	54,793	50,929
Provision for Estimated Cost to Complete on Contracts (Refer Note 18 of Schedule 16)	353,106	184,183
TOTAL	771,141	625,379

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedules forming part of the Profit & Loss Account
for the year ended December 31, 2011**

	Year ended December 31, 2011 Rupees ('000)	Year ended December 31, 2010 Rupees ('000)
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SCHEDULE - 11 : SALES

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

Products and Jobs	12,088,646	10,106,719
Services rendered	4,263,819	3,634,519
TOTAL	16,352,465	13,741,238

SCHEDULE - 12 : OTHER INCOME

Interest On :

- Fixed Deposits with bank [Gross TDS Rs.10,244 ('000), Previous Year Rs.4,991 ('000)]	102,447	78,081
- Inter-corporate Deposits [Gross TDS Rs.58 ('000), Previous Year Rs.164 ('000)]	582	1,643
Liabilities no longer required written back	28,831	3,854
Foreign Exchange Gain (Net)	23,603	-
Profit on assets sold/ discarded (Net)	543	-
Miscellaneous income	12,644	6,993
TOTAL	168,650	90,571

SCHEDULE - 13 : MATERIAL AND MANUFACTURING EXPENSES

Raw Materials, Components and Services consumed

Opening Stock	614,813	688,064
Add: Purchases	8,413,706	6,737,258
	9,028,519	7,425,322
Less: Closing Stock	621,198	614,813
	8,407,321	6,810,509
Traded Goods		
Opening Stock	91,453	51,010
Add: Purchases	1,293,776	1,134,811
	1,385,229	1,185,821
Less: Closing Stock	139,982	91,453
	1,245,247	1,094,368
(Increase)/ Decrease in Work-in-Progress		
Opening Work-in-Progress	38,824	31,549
Less: Closing Work-in-Progress	34,205	38,824
	4,619	(7,275)
(Increase)/Decrease in Finished Goods		
Opening Stock	43,177	34,842
Less: Closing Stock	39,216	43,177
	3,961	(8,335)
Excise Duty Expense	41,286	20,336
Power and Fuel	79,903	77,902
TOTAL	9,782,337	7,987,505

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedules forming part of the Profit & Loss Account
for the year ended December 31, 2011**

Year ended December 31, 2011 Rupees ('000)	Year ended December 31, 2010 Rupees ('000)
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SCHEDULE - 14 : EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, Wages, Bonus and Allowances	2,577,960	2,041,122
Company's Contribution to Provident Fund and Other Funds	172,819	103,242
Welfare Expenses	84,756	70,941
TOTAL	2,835,535	2,215,305

SCHEDULE - 15 : SELLING, ADMINISTRATION AND OTHER EXPENSES

Rent	130,575	118,200
Rates and Taxes	7,871	12,060
Travelling	775,877	686,303
Remuneration to Auditors :		
As Auditors	4,050	2,700
Others (Including Tax Audit)	1,650	1,250
Out of pocket expenses	220	82
	<u>5,920</u>	<u>4,032</u>
Repairs and Maintenance		
- Buildings	4,156	2,245
- Plant and Machinery	10,144	10,993
- Others	75,590	69,579
	<u>89,890</u>	<u>82,817</u>
Insurance	11,498	8,811
Communication Expenses	65,310	67,744
Liquidated Damages written off	72,292	21,334
Bad Debts written off	42,372	15,844
Foreign Exchange Loss (Net)	-	12,020
Provision for doubtful debts	80,212	69,294
Loss on assets sold/ discarded	-	17,429
Sales Commission	6,706	3,913
Corporate Overhead Allocations (Refer Note 20 of Schedule 16)	506,856	610,536
Directors Fees	410	350
Miscellaneous Expenses	266,290	185,369
TOTAL	2,062,079	1,916,056

Schedules (contd.)**Honeywell Automation India Ltd.**
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Annexed to and forming part of the Balance Sheet as at December 31, 2011 and the Profit and Loss Account for the year ended December 31, 2011.

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 balance sheet 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) Realized 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 amortized 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

Schedules (contd.)**Honeywell Automation India Ltd.**
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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 / amortized on a straight line method over the period of their estimated useful lives:

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

Assets installed 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.

b) Defined Benefit Plans:

Funded Plan: The Company has defined benefit plan for Post-employment benefit in the form of Gratuity and Provident fund for all employees which are administered through Life Insurance Corporation (LIC) of India / Company managed Trust.

Schedules (contd.)**Honeywell Automation India Ltd.**
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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. In case of Provident Fund for all employees, 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. The Company's contribution and such shortfall are charged to Profit and Loss Account as and when incurred.

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 on a straight line basis over the lease term.

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 recognized to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. 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 systems being the only business segment constitute one single primary segment in the context of Accounting Standard - 17 on Segment Reporting.

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

	(Rs. '000)	
	For the year ended December 31, 2011	
	For the year ended December 31, 2010	
Domestic	10,746,468	8,728,154
Exports	5,378,494	4,818,930
Total	16,124,962	13,547,084

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.

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**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>Honeywell Middle East B.V. Honeywell Technology Solutions Qatar Honeywell Tianjin Limited Honeywell Controls and Automation India Pvt. Ltd. Honeywell B.V. Honeywell & Co. Oman L.L.C. Honeywell Pte Ltd. Honeywell Automation & Control Solutions South Africa (Pty) Ltd. Honeywell Kuwait KSC. Novar Controls Corporation Honeywell Europe N.V. Honeywell Systems (Thailand) Ltd. Honeywell Ltd. (Hong Kong) Enraf B.V. Honeywell Technology Solutions Lab Pvt. Ltd. Pittway Systems Technology Group Europe Ltd. Honeywell Taiwan Inc. Callidus Technologies India Pvt. Ltd. Honeywell Building Solutions Gmbh Novar Systems Ltd. Honeywell Middle East FZE Honeywell Controls International Ltd. Tridium Inc. Honeywell Limited (New Zeland) Honeywell Austria Gesellschaft mbh Honeywell A.B. Matrikon Pty Ltd. Trend Control Systems Ltd. Sinpoec Honeywell Tianjin Ltd. Honeywell Southern Africa (Proprietary) Ltd. Honeywell Japan Inc. Honeywell A/S (Denmark) Honeywell Szabalyozastechnikai es Automatizalasi Kft. Honeywell China co. Ltd. PT Honeywell Indonesia Life Safety Distribution AG Honeywell Analytics Asia Pacific Co.Ltd. Honeywell Otomasyon ve Kontrol Sistemleri Sanayi ve Ticaret A.S. Honeywell Analytics Inc, Honeywell Xinyao Automotive Sensors (Shanghai) Co. Limited Honeywell Specialty Chemicals (Singapore) Pte. Ltd. Maxon Corporation Honeywell ASCA Inc. Maxon Combustion Equipment (Shanghai) Co.,Ltd. Honeywell Ic - Vancouver Operations Enraf Tankssystem SA Enraf Marine Systems Honeywell International (India) P. Ltd.</p>	<p>Honeywell Limited Australia Honeywell Limited Honeywell Enraf Americas, Inc. Honeywell Measurex (Ireland) Ltd. Honeywell Turkey Arabia Ltd. Honeywell Controls System Limited Honeywell International Middle East Ltd. MST Technology GMBH Honeywell Security France S.A. Honeywell GMBH Honeywell S.A. (Belgium) Honeywell Airport Systems Gmbh Honeywell s.r.l. UOP India Pvt. Ltd. Honeywell Engineering Sdn. Bhd. Honeywell Co, Ltd. Honeywell S.L. Honeywell Portugal, Automacao e Contolo, S.A. Honeywell Automation & control Solutions Carribean Ltd. Honeywell AS Norway Honeywell OY Matrikon Middle East Co WLL RMF US Holding Gmbh Honeywell International s.a.r.l. Honeywell Sensing & Control China Co, Ltd. Honeywell E.P.E. Honeywell AG Honeywell International 108 LM&C Matrikon Industrial Solutions India Pvt. Ltd. Honeywell Chile S.A. Honeywell Aerospace B.V. Honeywell Turbo Technologies (India) Private Limited Honeywell Electrical Devices and Systems India Limited Matrikon Deutschland AG Honeywell Safety Products Chuzhou Co., Limited BW Research LP Honeywell SPA Novar Gmbh Enraf Fluid Technology UK Ltd. Ademco Asia Pacific Ltd. Tridium Asia Pacific Pte Ltd. Honeywell BeijingTechnology solutio Honeywell ECC novar Phoenix Controls Corporation Honeywell Co, Ltd. Honeywell Turbo (India) Private Limited</p>
(iii)	Key Management Personnel	
	Mr. Anant Maheshwari, Managing Director	

Schedules (contd.)

Honeywell Automation India Ltd.
Annual Report 2011

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,			
	2011	2010	2011		2010	
			Receivable	Payable	Receivable	Payable
Sales of Goods, Services and Reimbursement of Expenses						
<u>Holding Company</u>						
Honeywell International Inc.	2,036,528	1,161,558	462,765	–	117,871	–
Total	2,036,528	1,161,558	462,765	–	117,871	–
<u>Fellow Subsidiaries</u>						
Other	3,084,167	3,358,673	674,750	–	641,712	–
Total	3,084,167	3,358,673	674,750	–	641,712	–
Purchase of Goods, Services and Fixed Assets (including GIT)						
<u>Holding Company</u>						
Honeywell International Inc.	712,527	1,053,103	–	86,729	–	17,021
Total	712,527	1,053,103	–	86,729	–	17,021
<u>Fellow Subsidiaries</u>						
Honeywell Measurex (Ireland) Limited	924,518	170,105	–	392,961	–	10,304
Honeywell International (India) Pvt. Ltd.	375,754	182,474	–	28,201	–	11,406
Others	1,459,803	1,147,851	–	408,097	–	323,025
Total	2,760,075	1,500,430	–	829,259	–	344,735
Inter Corporate Deposits Given/ Received back						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd.	–	787,413	–	–	–	–
Honeywell Controls and Automation India Pvt. Ltd.	35,000	–	–	–	–	–
Matrikon Industrial Solutions India Pvt. Ltd.	3,000	–	–	–	–	–
Total	38,000	787,413	–	–	–	–
Inter Corporate Loans taken / Repaid back						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo Technologies (India) Pvt. Ltd.	–	250,000	–	–	–	–
Honeywell International (India) Pvt. Ltd.	150,000	–	–	–	–	–
Total	150,000	250,000	–	–	–	–
Interest on Inter Corporate Deposit Given						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo (India) Pvt. Ltd.	–	1,643	–	–	–	–
Honeywell Controls and Automation India Pvt. Ltd.	560	–	–	–	–	–
Matrikon Industrial Solutions India Pvt. Ltd.	23	–	–	–	–	–
Total	583	1,643	–	–	–	–
Interest on Inter Corporate Loans taken						
<u>Fellow Subsidiaries</u>						
Honeywell Turbo (India) Pvt. Ltd.	–	623	–	–	–	–
Honeywell International (India) Pvt. Limited	4,404	–	–	–	–	–
Total	4,404	623	–	–	–	–

Schedules (contd.)

Honeywell Automation India Ltd.
Annual Report 2011

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,			
	2011	2010	2011		2010	
			Receivable	Payable	Receivable	Payable
Managerial Remuneration						
<u>Key Management Personnel</u>						
Vimal Kapur	–	3,926	–	–	–	–
Anant Maheshwari	8,818	6,670	–	–	–	–
Total	8,818	10,596	–	–	–	–
Commission						
<u>Key Management Personnel</u>						
Anant Maheshwari	3,328	3,500	–	3,328	–	3,500
Total	3,328	3,500	–	3,328	–	3,500

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 32% and 33% of total net sales in fiscal years 2011 and 2010 respectively. The Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors. However, the Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell-specific business considerations (independent of its shareholding in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by the Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company.

iii) Lease Transactions :

As a Lessee in an Operating Lease:

Non cancellable

The Company has taken certain Office Premises under non cancellable operating leases with a lock in period ranging from 12 to 60 months generally and are usually renewable by mutual consent on agreed terms.

The lease agreements contain escalation clauses for increase in lease payments ranging for periods from 2-3 years.

(Rs'000)

	Not later than 1 Year	Later than 1 Year but not later than 5 year	Later than 5 year
Minimum Lease Payments	42,927 (36,438)	176,781 (132,894)	110,277 (131,149)

Rentals paid for equipments under operating leases of Rs. NIL [Previous year Rs. 4,165 ('000)] have been included under 'Rent' under Schedule 15 to Profit and Loss Account.

Rentals paid for computers under operating leases of Rs. 2,815 ('000) [Previous year Rs. 11,834('000)] have been included under 'Miscellaneous Expenses' under Schedule 15 to Profit and Loss Account.

Rentals paid for premises under operating leases of Rs. 86,372 ('000) [Previous year Rs. 89,575 ('000)] have been included under 'Rent' under Schedule 15 to Profit and Loss Account.

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, 2011	For the year ended December 31, 2010
Profit after Tax (Rs. '000)	1,071,433	1,050,460
Weighted Average number of Equity Shares	8,841,523	8,841,523
Earning Per Share (Rs.)	121.18	118.81
Face value per share (Rs.)	10.00	10.00

Schedules (contd.)

Honeywell Automation India Ltd.
Annual Report 2011

Schedule 16 to the Financial Statements – continued

v) Deferred Tax Assets (Net) :

(Rs. '000)

Composition	As at December 31, 2011	As at December 31, 2010
a) Deferred Tax Liability		
Depreciation and Amortization	(3,759)	–
b) Deferred Tax Assets		
Depreciation and Amortization	–	5,828
Provision for Doubtful Debts	181,161	160,982
Provision for EMD & SD	7,170	–
Cost to Complete	71,569	1,318
Provision for Compensated Absences	22,506	23,676
Gratuity	2,077	–
Bonus	26,901	31,550
Others	96,006	85,514
Deferred Tax Assets	403,631	308,868
Deferred tax charge / credit for the year is as follows:		
Opening Deferred Tax Asset	308,868	281,854
Less: Closing Deferred Tax Asset	403,631	308,868
Deferred Tax Charge / (Credit)	(94,763)	(27,014)

3. a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) - Rs.14,755('000) [Previous Year Rs.13,544('000)].
b) Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006.

(Rs. '000)

Sr.No.	Particulars	December 31, 2011	December 31, 2010
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	19,681	28,189
	- Interest thereon	1,634	710
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	44,468	42,861
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	2,271	2,229
	-Total Interest remaining unpaid out of the above as at the balance sheet date	2,271	2,229
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. 4,787('000), being amounts outstanding as at the beginning of the accounting year)	7,058	4,787

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

4. 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 2011**Schedule 16 to the Financial Statements – continued**

5. Interest includes interest on fixed loans Rs.4,404 ('000) [Previous Year Rs.86 ('000)] and others Rs.4,077 ('000) [Previous Year Rs.757 ('000)].

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

(Rs.'000)

Particulars	As on December 31, 2011	As on December 31, 2010
Asset - Trade Receivables		
In EURO	–	1,601
(Equivalent approximate in Rs.)	–	96,000

Unhedged by derivative instruments / or otherwise :

(Rs.'000)

Particulars	As on December 31, 2011	As on December 31, 2010
a) Liability - Trade Creditors		
In GBP	386	140
(Equivalent approximate in Rs.)	31,623	9,854
In USD	12,582	12,434
(Equivalent approximate in Rs.)	668,169	562,280
In EURO	2,314	1,007
(Equivalent approximate in Rs.)	158,883	60,369
In CAD	13	13
(Equivalent approximate in Rs.)	662	585
In AUD	176	69
(Equivalent approximate in Rs.)	9,501	3,077
In JPY	165	–
(Equivalent approximate in Rs.)	113	–
In AED	–	20
(Equivalent approximate in Rs.)	–	250
In SGD	4	25
(Equivalent approximate in Rs.)	144	869
In CHF	16	–
(Equivalent approximate in Rs.)	876	–
In NOK	–	263
(Equivalent approximate in Rs.)	–	1,995
In ZAR	26	61
(Equivalent approximate in Rs.)	168	404
In SEK	53	630
(Equivalent approximate in Rs.)	409	4,187
b) Asset - Trade Receivables		
In GBP	214	163
(Equivalent approximate in Rs.)	17,568	11,452
In EURO	393	516
(Equivalent approximate in Rs.)	26,995	30,967
In AUD	3	3
(Equivalent approximate in Rs.)	146	132
In USD	23,264	22,417
(Equivalent approximate in Rs.)	1,235,425	1,013,715
c) Asset - Bank Balances		
In USD	3,296	1,392
(Equivalent approximate in Rs.)	175,058	62,946

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued****7. 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 plan are:

Particulars	ESOP	RU
Vesting Period	2 years	3 years
Maximum Term of Option 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 recognized 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	2011				2010			
	SO		RU		SO		RU	
	Number	Weighted Average Exercise Price USD	Number	Weighted Average Exercise Price USD	Number	Weighted Average Exercise Price USD	Number	Weighted Average Exercise Price USD
(a) Outstanding at the beginning of the year	60,410	39.20	37,775	–	49,610	39.95	26,762	–
(b) Granted during the year	15,000	57.05	10,077	–	23,000	41.21	17,186	–
(c) Forfeited/Cancelled during the year	63,350	41.69	33,653	–	–	–	400	–
(d) Exercised during the year	1,210	44.17	4,347	–	12,200	46.20	5,773	–
(e) Expired during the year	–	–	–	–	–	–	–	–
(f) Outstanding at the end of the year	10,850	48.79	9,852	–	60,410	39.20	37,775	–
(g) Exercisable at the end of the year	3,600	37.75	–	–	17,910	44.87	–	–

During the year 2011, weighted average share price for Stock Option exercised was USD 44.17 (Previous year rate USD 46.2)

During the year 2011, weighted average share price for Restricted units vested was USD 56.40 (Previous year rate USD 42.27)

There were 10,850 (Previous year : 60,410) Stock Options outstanding at the end of 2011 with exercise prices in the range USD 37.75 to 57.05 (Previous Year : USD 28.25 to USD 58.48) with a weighted average remaining contractual life of years 7.10 years (Previous Year : 8.16 years).

There were 9,852 (Previous Year : 37,775) Restricted Units at the end of 2011 with a weighted average remaining contractual life of 5.40 years (Previous Year : 4.68 years).

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued****8. Contingent Liabilities**

(Rs.'000)

	Particulars	December 31, 2011	December 31, 2010
a)	Income tax claims against the Company	563,575	773,014
b)	Excise duty claims against the Company	1,475	1,475
c)	Sales tax refunds/claims against the Company	196,221	42,283
d)	Customs duty claims against the Company	3,553	3,553

Note :

Bank Guarantees given to customers against performance/advance Rs. 3,616,854 ('000) [Previous Year Rs. 2,684,891 ('000)].

9. a) Directors' Remuneration:

(Rs.'000)

	Particulars	For the year ended December 31, 2011	For the year ended December 31, 2010
i)	Salaries and Allowances	8,284	9,897
ii)	Perquisites	55	238
iii)	Contribution to Provident and Superannuation Fund	479	461
iv)	Commission on Profits		
	- Executive Directors	3,328	3,500
	- Non-Executive Directors	3,100	3,100
		15,246	17,196

Notes:**The above information does not include:**

- As the future liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amounts pertaining to the directors is not ascertainable and is therefore not included above.
- Employee Stock Options, Restricted Units and Share Awards in respect of shares in Honeywell International Inc. (ultimate holding company) granted to the directors.
- Pension aggregating Rs.720('000) [Previous Year Rs.720('000)] paid to a Non-executive director, who was previously an employee of the company.

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

(Rs.'000)

	For the year ended December 31, 2011		For the year ended December 31, 2010	
Profit before taxation as per Profit and Loss Account		1,457,061		1,388,956
Add :				
Directors' Remuneration and Commission	15,246		17,196	
Provision for Doubtful Debts and Advances	80,212		69,294	
Directors' Sitting fees	410		350	
Depreciation as per books	148,119	243,987	128,990	215,830
Less :				
Depreciation under Section 349	148,119		128,990	
Gain on sale of assets	543	148,662	–	128,990
Net Profit in accordance with Section 349		1,552,386		1,475,796
Maximum Commission on profits payable to Non-Executive Directors (1% of Net Profit)		15,524		14,758
Restricted to		3,100		3,100

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued**

10. 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)	Value	Qty. (Nos)	Value
(i) Manufactured Products									
Systems	**	*	–	–	399	399	1,275,233	–	–
	**	*	(–)	(–)	(231)	(231)	(1,042,189)	(–)	(–)
Transmitters			–	–	37,933	37,933	385,044	–	–
			(–)	(–)	(42,750)	(42,570)	(393,587)	(–)	(–)
Others (including Bought Outs and Reimbursements)				43,177			8,392,268		39,216
				(34,842)			(6,871,314)		(43,177)
(ii) Traded Products				91,453			1,808,598		139,982
Various				(51,010)			(1,605,476)		(91,453)
(iii) Services Rendered							4,263,819		
							(3,634,519)		
Total				134,630			16,124,962		179,198
				(85,852)			(13,547,085)		(134,630)

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

Previous year figures are indicated in brackets.

** Not Applicable

11. Details of Raw Materials Consumed :

(Rs.'000)

Particulars	Qty.	For the year ended December 31, 2011	For the year ended December 31, 2010
Components for System Integration	Lot	8,407,321	6,810,509
Total		8,407,321	6,810,509

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

(Rs.' 000)

Particulars	%	For the year ended December 31, 2011	%	For the year ended December 31, 2010
Imported	43	3,645,755	49	3,303,747
Indigenous	57	4,761,566	51	3,506,762
Total		8,407,321		6,810,509

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued****13. CIF Value of Imports :**

(Rs. '000)

Particulars		For the year ended December 31, 2011	For the year ended December 31, 2010
a)	Capital Goods	22,286	24,292
b)	Raw Materials	4,629,397	3,679,173
	Total	4,651,683	3,703,465

14. Expenditure in Foreign Currency :

(Rs. '000)

Particulars		For the year ended December 31, 2011	For the year ended December 31, 2010
1)	Travelling	578,532	340,966
2)	Professional and Consultation Fees	8,700	10,162
3)	Others	566,853	494,754
	Total	1,154,085	845,882

15. Dividend remitted during the year to Non-resident Shareholders :

(Rs. '000)

Particulars		For the year ended December 31, 2011	For the year ended December 31, 2010
a)	Amount of Dividend	72,481	72,199
b)	Pertaining to Financial year	2010	2009
c)	Number of Non resident shareholders	247	220
d)	Number of shares held	7,248,110	7,219,890

16. Earnings in Foreign Currency :

(Rs. '000)

Particulars		For the year ended December 31, 2011	For the year ended December 31, 2010
a)	FOB value of Exports	2,166,032	2,112,510
b)	Services	2,724,927	2,327,678
c)	Reimbursements	487,535	378,741
d)	Others	670,758	430,529
	Total	6,049,252	5,249,458

17. Contracts in Progress :

(Rs. '000)

Particulars		For the year ended December 31, 2011	For the year ended December 31, 2010
a)	Aggregate amount recognised as Contract Revenue	7,636,853	6,533,366
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.	21,108,905	17,709,961
	ii. Amount of Customer Advances received	24,702	18,827
	iii. Amount of Retentions	311,369	575,638
c)	Gross amount due from customers for contract work	2,718,107	1,727,528
d)	Gross amount due to customers for contract work	365,238	717,174
e)	(c) - (d)	2,352,869	1,010,354

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued****18. Disclosure as required by AS 29 “Provisions, Contingent Liabilities and Contingent Assets”**

(Rs. '000)

	Disputed Statutory Matters		Warranty [Refer Note 1 (h)]		Provision for Estimated Cost to Complete on Contracts		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Opening Balance	118,075	112,538	133,864	132,440	184,183	25,152	436,122	270,130
Additions	6,716	5,537	33,722	69,044	244,113	181,905	284,551	256,486
Utilisations	–	–	25,233	67,620	75,190	22,874	100,423	90,494
Reversals	–	–	92,336	–	–	–	92,336	–
Closing Balance	124,791	118,075	50,017	133,864	353,106	184,183	527,914	436,122

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.

19. 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)

	Particulars	For the year ended December 31,	
		2011	2010
1.	Contribution to Employees' Superannuation Fund	12,125	9,997
	Total	12,125	9,997

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

(Rs. '000)

	Particulars	For the year ended December 31,	
		2011	2010
1.	Present Value of Obligation as at January 1,	139,122	102,800
2.	Interest Cost	10,524	7,419
3.	Past Service Cost	–	–
4.	Current Service Cost	35,603	22,273
5.	Curtailment Cost/(Credit)	–	–
6.	Settlement Cost/(Credit)	–	–
7.	Benefits Paid	(48,188)	(10,356)
8.	Actuarial (Gain)/Loss	34,455	16,986
9.	Present Value of Obligation as at December 31	171,516	139,122

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued****(ii) Changes in the Fair Value of Plan Assets**

(Rs. '000)

	Particulars	For the Year Ended December 31,	
		2011	2010
1.	Fair Value of Plan Assets as at January 1	103,894	63,417
2.	Expected Return on Plan Assets	9,630	7,442
3.	Actuarial Gain/(Loss)	608	684
4.	Employers' Contributions	30,322	42,707
5.	Assets distributed on settlement	(32,114)	–
6.	Employees' Contributions	–	–
7.	Benefits Paid	(16,074)	(10,356)
8.	Fair Value of Plan Assets as at December 31	96,266	103,894

(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)

	Particulars	As on December 31,	
		2011	2010
1.	Present Value of Funded Obligation	171,516	139,122
2.	Fair Value of Plan Assets	96,266	103,894
3.	Net Liability recognised in the Balance Sheet	75,250	35,228

In addition to the above, during the year, the Company has provided for Rs. 10,425 ('000) in respect of the interest shortfall in the provident fund obligation (administered through a trust for eligible employees) on the basis of an actuarial valuation from an independent actuary:

(Rs. '000)

	Particulars	As on December 31, 2011
1.	Defined Benefit Obligation	601,587
2.	Fair Value of Plan Assets	591,162
3.	Net Liability as at December 31, 2011	10,425

(iv) Expenses recognised in the Profit and Loss Account

(Rs. '000)

	Particulars	For the Year Ended December 31,	
		2011	2010
1.	Current Service Cost	35,603	22,273
2.	Past Service Cost	–	–
3.	Interest Cost	10,524	7,419
4.	Expected Return on Plan Assets	(9,630)	(7,442)
5.	Curtailment Cost/(Credit)	–	–
6.	Settlement Cost/(Credit)	7,451	–
7.	Net Actuarial (Gain)/Loss	25,918	16,302
8.	Employees' Contribution	–	–
9.	Total Expenses recognised in the Profit and Loss Account	69,866	38,552

(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at December 31, 2011

	Particulars	2011	2010
1.	Insurer Managed Funds	100%	100%

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

Schedules (contd.)**Honeywell Automation India Ltd.**
Annual Report 2011**Schedule 16 to the Financial Statements – continued****(vii) The Actual Return on Plan Assets is as follows :**

(Rs. '000)

	Particulars	2011	2010
(a)	Actual return on Plan Assets	10,237	8,126

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

(Rs. '000)

	Particulars	As on December 31,	
		2011	2010
(a)	Discount Rate	8.30%	7.90%
(b)	Expected Rate of Return on Plan Assets	9.35%	9.35%
(c)	Rate considered for actuarial valuation for PF interest shortfall	8.50%	–
(d)	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 :-

(Rs. '000)

	Particulars	As At December 31, 2011	As At December 31, 2010	As At December 31, 2009	As At December 31, 2008
a.	Gratuity plan (funded/unfunded)				
i.	Defined benefit obligation	171,516	139,123	102,800	90,721
ii.	Plan assets	96,266	103,895	63,417	58,940
iii.	Surplus/(deficit)	(75,250)	(35,228)	(39,383)	(31,781)
iv.	Experience adjustment plan liabilities	(26,974)	(19,341)	(8,692)	–
v.	Experience adjustment plan assets	608	684	526	–

20. The current year charge for Corporate Overhead Allocation includes reversal of Rs. 2,006 ('000) (Previous Year charge of Rs.105,200 ('000)) in respect of services rendered in previous year.

21. 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, 2011 and the Profit and Loss Account for the year ended December 31, 2011.

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

Jeetendra Mirchandani
Partner
Membership No. 48125

Place : Mumbai
Date : February 9, 2012

For and on behalf of the Board of Directors

M. N. Bhagwat
Chairman

Anant Maheshwari
Managing Director

Sneha Padve
Company Secretary

Ajay Patil
Chief Financial Officer

Place : Gurgaon
Date : February 9, 2012

**GENERAL BUSINESS
PROFILE****Honeywell Automation India Ltd.
Annual Report 2011****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

Registration No.

1 7 9 5 1

State Code

2 5

Balance Sheet Date

3 1

1 2

1 1

Date

Month

Year

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

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

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

Total Liabilities (Including Shareholders' Funds)

6 3 0 2 5 1 7

Total Assets

6 3 0 2 5 1 7

Sources of Funds

Paid-up Capital

8 8 4 1 5

Reserves & Surplus

6 2 1 4 1 0 2

Secured Loans

N I L

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

7 6 8 9 4 9

Investments

N I L

Net Current Assets

5 1 2 9 9 3 7

Misc. Expenditure

N I L

Accumulated Losses

N I L

Deferred Tax Asset

4 0 3 6 3 1

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

Turnover

1 6 2 9 3 6 1 2

Total Expenditure

1 4 8 3 6 5 5 1

Profit Before Tax

1 4 5 7 0 6 1

Profit After Tax

1 0 7 1 4 3 3

Earning per share in Rs.

1 2 1 . 1 8

Dividend rate %

1 0 0

**GENERAL BUSINESS
PROFILE** (contd.)

**Honeywell Automation India Ltd.
Annual Report 2011**

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

Ajay Patil
Chief Financial Officer

Place: Gurgaon
Date : February 9, 2012

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

Committees of the Board:

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

The Board met four times on the following dates during the year ended December 31, 2011 and the gap between two meetings did not exceed four months:

February 9, 2011 April 21, 2011 July 19, 2011 October 18, 2011

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, 2011 are given below:

Name	Category	No. of Board Meetings attended during 2011	Attendance at the last AGM held on April 21, 2011	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	4	2	0
Mr. Shane Tedjarati	Promoter Not Independent Non-Executive	2	Yes	Nil	Nil	Nil
Mr. Gerard Willis	Promoter Not Independent Non-Executive	3	Yes	Nil	Nil	Nil

Name	Category	No. of Board Meetings attended during 2011	Attendance at the last AGM held on April 21, 2011	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Anant Maheshwari Managing Director	Executive Director	4	Yes	Nil	Nil	Nil
Mr. S.L. Rao	Independent Non-Executive	4	Yes	5	2	2
Mr. Norman Gilsdorf	Promoter Not Independent Non-Executive	1	No	Nil	Nil	Nil

Audit Committee:

The Committee is constituted with Mr. S.L. Rao as the Chairman of the Committee and Mr. Gerard Willis and Mr. M.N. Bhagwat as the members [as per Clause 49(II)(A)]. The members of the Committee have the relevant experience in the field of financial reporting and Accounting statements. Ms. Sneha Padve, Company Secretary acts as the Secretary to the Committee. Audit Committee meetings are attended by the Chief Financial Officer, Legal Head and the Company Secretary. The representatives of the Internal Auditors and the Statutory Auditors are 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. Overseeing the Company's financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the board, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
5. Reviewing with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

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

The Audit Committee met on the following dates during the year ended December 31, 2011:

February 8, 2011

April 21, 2011

July 19, 2011

October 18, 2011

Attendance at the Audit Committee Meeting:

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

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

Remuneration Committee:

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

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, 2012, 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 2011**

Given below are the details of Remuneration paid to Non-Executive Directors for the year January to December 2011 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	210	1,600	700
Mr. S.L. Rao	200	1,500	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 2011
Mr. Anant Maheshwari	8,818	3,328

Period of Contract of MD : 3 years from March 1, 2010
The Contract may be terminated by either party giving the other party three months' notice or the Company paying three months' salary in lieu thereof.
Severance fees – Nil

Shareholders'/Investors' Grievance Committee:

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

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

The Committee met on October 18, 2011 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 complaints received from the investors from 1.1.2011 to 31.12.2011 0

No. not solved to the satisfaction of the investor as on 31.12.2011 0

No. of pending share transfers as on 31.12.2011 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 – 16.04.2009, 22.04.2010 and 21.04.2011

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.*

AGM held on 21.04.2011 was held at *Saffire, Honeywell Automation India Limited, Pune 411 013 at 4.00 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 2011 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 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. The Compliance Officers ensure that the business operations of the Company are not in contravention of any laws.

Whistle Blower Policy:

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

Code of Conduct:

The board members and senior managerial personnel have affirmed compliance with the 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 20, 2012 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 20, 2012.

Financial Calendar - Year ending December 31
AGM April 20, 2012

Dividend Payment Date - April 27, 2012

Date of Book Closure - Thursday, April 5, 2012 to Thursday, April 12, 2012
(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 has paid annual listing fees to each of the above exchanges for the financial year 2011-12.

**CORPORATE GOVERNANCE
REPORT**

**Honeywell Automation India Ltd.
Annual Report 2011**

Stock Code –

The Stock Exchange, Mumbai :
Equity Shares (physical form) : 174
(demat form) : 517174

Market Price Data – BSE

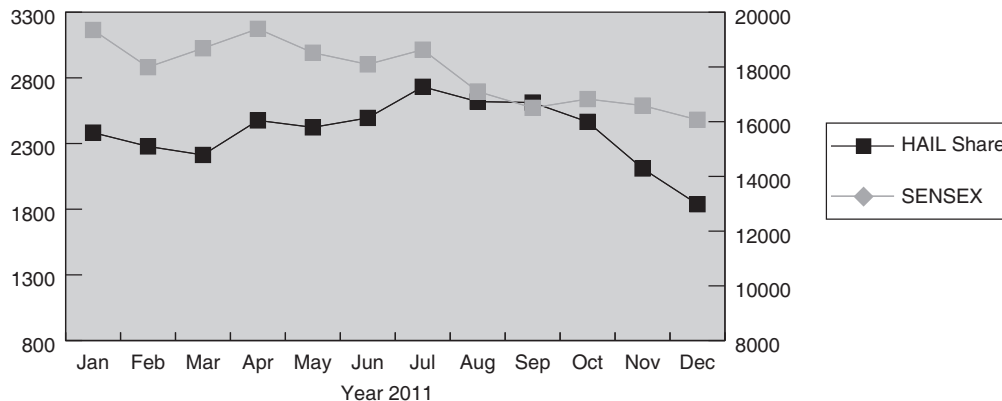
	The Stock Exchange, Mumbai (in Rs.)	
	High	Low
January 2011	2490	2276
February 2011	2540	2015
March 2011	2350	2075
April 2011	2703	2250
May 2011	2565	2281
June 2011	2625	2365
July 2011	2930	2535
August 2011	2850	2388
September 2011	2770	2453
October 2011	2675	2255
November 2011	2358	1862
December 2011	2055	1620

NSE Stock Symbol: HONAUT

Market Price Data – NSE

	National Stock Exchange of India Ltd. (in Rs.)	
	High	Low
January 2011	2500	2262
February 2011	2530	2010
March 2011	2350	2061
April 2011	2700	2048
May 2011	2550	2281
June 2011	2625	2353
July 2011	2932	2531
August 2011	2895	2388
September 2011	2800	2465
October 2011	2699	2171
November 2011	2360	1890
December 2011	2045	1617

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



**CORPORATE GOVERNANCE
REPORT (contd.)**
**Honeywell Automation India Ltd.
Annual Report 2011**
**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	
	31-12-2011 (%)	31-12-2010 (%)
1 to 500	8.39	8.61
501 to 1000	1.00	1.17
1001 to 2000	0.85	0.84
2001 to 3000	0.29	0.32
3001 to 4000	0.34	0.49
4001 to 5000	0.25	0.27
5001 to 10000	1.41	1.18
Over 10000	87.47	87.12
Total	100.00	100.00

Categories of Shareholders :

Category	No. of shareholders	No. of shares held
Foreign Promoters	1	7182475
Non Resident Individuals	239	17184
Foreign Institutional Investors	9	42686
Banks	2	300
Mutual Funds	9	399286
Central Government / State Governments(s)	1	285
Domestic Companies	415	184615
Resident Individuals	11387	1013678
Trust & Charitable Institutions	6	1014
	12069	8841523

Dematerialisation of shares and liquidity :

The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. 98.34% of the Company's share capital is dematerialised as on 31.12.2011.

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 2011.

For **Honeywell Automation India Limited**

Gurgaon, February 9, 2012

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, 2011, 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 AccountantsPlace : Mumbai
Date : February 9, 2012**Jeetendra Mirchandani**
Partner
Membership No. 48125