

Board of Directors (As on 24/01/2008)

Mr. J. D. Bolick	<i>(Chairman)</i>
Mr. H. M. Chitale	<i>(Vice Chairman)</i>
Mr. G. F. Willis	<i>(Director)</i>
Mr. V. M. Kapur	<i>(Managing Director)</i>
Mr. M. N. Bhagwat	<i>(Independent Director)</i>
Mr. S. L. Rao	<i>(Independent Director)</i>
Ms. Sneha Padve	<i>(Company Secretary)</i>

Senior Management Team

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

Honeywell Process Solutions

Biswas Amitava
Joshi Hemant
Joy Abraham
Kumar Girish
Kumar Salil

Honeywell Building Solutions

Dharachar Girish
Godbole Milind
Shaha Ashish

Environment & Combustion Controls

Pradhan Ninad

Sensing & Controls

Pradhan Sachin

Engineering Services

Rajagopal KS
Tumkur Savyasachi

Registered Office

56 & 57, Hadapsar
Industrial Estate,
Pune 411 013

Auditors

Price Waterhouse & Co.
Chartered Accountants

Bankers

ABN-Amro Bank N.V.
Canara Bank
Bank of Baroda
State Bank of Travancore
HDFC Bank Ltd.
ICICI Bank Ltd.
Citibank N. A.

Registrar & Transfer Agent :

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

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NOTICE is hereby given that the **TWENTY-FOURTH ANNUAL GENERAL MEETING** of HONEYWELL AUTOMATION INDIA LIMITED will be held at **2.30 p.m. on April 9, 2008** in Hotel Taj Blue Diamond, 11, Koregaon Road, Pune 411 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended December 31, 2007, the Balance Sheet as at that date.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. S.L. Rao who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. G. F. Willis who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

To appoint a Director in place of Mr. Jack Bolick, who was appointed an Additional Director of the Company by the Board of Directors with effect from June 15, 2007, under Section 260 of the Companies Act, 1956 and Article 144 of the Articles of Association of the Company and who holds office upto the date of the forthcoming Annual General Meeting but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to the provisions of Section 257 of the Act.

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

"RESOLVED THAT pursuant to the provisions of Sections 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves of the increase in remuneration of Mr. Vimal Kapur as Managing Director, with effect from April 1, 2008, upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification signed by the Chairman, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Directors and Mr. Kapur."

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

"RESOLVED THAT pursuant to the provisions of Sections 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves of the increase in remuneration of Mr. Harshavardhan Chitale as Executive Director, with effect from April 1, 2008, upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification signed by the Chairman, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Directors and Mr. Chitale."

NOTES:

- a) The relevant details in respect of Item nos. 3, 4, 6, 7 and 8 above, pursuant to Clause 49 of the Listing Agreement are annexed hereto.
- b) The Company's shares are under the compulsory demat list. Shareholders are requested to utilise this facility to their advantage. Shareholders have been sent the ECS facility forms. Shareholders are requested to fill in the forms and take advantage of this facility.

- c) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday March 27, 2008 to Thursday April 3, 2008 (both days inclusive) for payment of dividend on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose. The Company will dispatch the dividend warrants from April 17, 2008 onwards.
- d) Members are requested to note that the Dividend Warrants are payable at par at the branches as printed overleaf of the Dividend Warrant with the initial validity period of 3 months. Thereafter, the Dividend Warrants can be revalidated only at TSR Darashaw Ltd.
- e) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
- f) Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the management to reply at the general meeting.
- g) Members are requested to promptly notify any change in their address to the Company's Registrars & Share transfer Agents, namely, TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- h) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended March 31, 2001 will be transferred to the Investor Education and Protection Fund of the Central Government this year. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 2001 or any subsequent financial years are requested to make their claim to the Office of the Registrar and Transfer Agents; TSR DARASHAW LTD., 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. It may be noted that once the dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.
- i) As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.
- j) Shareholders are requested to bring their copy of Annual report to the meeting.

By order of the Board of Directors

New Delhi, January 24, 2008

Sneha Padve
Company Secretary

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

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

Item Nos. 3 & 4 :

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. S.L. Rao and Mr. Gerard Willis, retire by rotation and are eligible for reappointment. The details as per Clause 49 of the Listing Agreement are given here below :

Name of Director	Mr. S.L. Rao	Mr. G. F. Willis
Date of Birth	22.01.1936	27.12.1953
Date of Appointment	28.1.2002	01.01.2005
Expertise in specific functional areas	Economics & Management	Law
Qualifications	B.Com (Hons), M.A. in Economics	New York University School of Law, 1986, Brown University – B.A. International Affairs. George Washington University School of Public and International Affairs, Washington D.C.; M.A. International Affairs
List of public Companies in which outside Directorships held as on December 31, 2007	Reliance Energy Limited Reliance Natural Resources Ltd. Reliance Power Limited Kanoria Industries and Chemicals Limited	Usha Amorphous Metals Limited
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2007	Reliance Natural Resources Ltd.: Chairman – Audit Committee, Remuneration Committee & Investor Grievance Committee Kanoria Industries and Chemicals Limited : Chairman – Remuneration Committee Reliance Energy Ltd.: Member – Audit Committee & Remuneration Committee	—

Memorandum of concern or interest :

Mr. S.L. Rao and Mr. G. F. Willis are interested in their aforesaid appointment as the Directors of the Company.

Item No. 6 :

Mr. Jack D. Bolick is President of the Process Solutions business for Honeywell's Automation and Control Solutions group.

Mr. Jack D. Bolick joined Honeywell in 1998 and has more than 20 years of diverse business experience with a focus on semiconductor and manufacturing materials supply, global marketing and manufacturing strategies that support high-growth markets.

Mr. Jack D. Bolick is Black Belt certified and holds a Master of Science degree in Industrial Engineering from North Carolina A&T State University. He also earned a bachelor's science degree in industrial engineering technology from Western Carolina University in North Carolina. Jack is based in Phoenix, Arizona.

Memorandum of concern or interest :

Mr. Jack D. Bolick is interested in his aforesaid appointment as the Director of the Company.

Item No. 7:

Mr. Vimal Kapur has been appointed as Managing Director of the Company w.e.f. November 1, 2006 for a period of 5 years and the shareholders in the AGM held on April 13, 2007 approved the resolution. However, the Board has recommended changes in the remuneration and the same need to be approved by the shareholders.

I) Mr. Vimal Kapur shall, as the Managing Director, be head of the Management Team and shall, subject to the supervision and control of the Board of Directors, be responsible for the overall conduct and functioning of the Company.

II) **Period :** Five years w.e.f. November 1, 2006 with liberty to either party to terminate the appointment by three months notice in writing to the other.

III) Remuneration :

1. A base salary scale of Rs.2,50,000/- to 5,00,000/- per month, with authority to the Board to fix his salary within this scale from time to time. The annual increment will be merit based and take into account the Company's performance.

2. Commission :

Such remuneration by way of commission, in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year subject to the overall ceilings stipulated in Sections 198 and 309 of the Act. The specific amount payable to the Managing Director will be based on certain performance criteria to be laid down by the Board and will be payable annually after the annual accounts have been approved by the Board of Directors and adopted by the members. The Managing Director will also be entitled to stock issued by Honeywell Inc., from time to time as per Honeywell policy.

3. Perquisites and Allowances :

a) In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for himself and his family and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the Managing Director; such perquisites and allowances will be limited to 300% of his annual salary.

b) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per income tax rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

c) Provision for the use of the Company's Car for official duty and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.

d) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together, not taxable under the Income Tax Act; Gratuity payable as per the rules of the Company and encashment of leave at the end of tenure shall not be included in the computation of the limits for the remuneration or perquisites mentioned above.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being, be in force.

4. **Minimum remuneration:** Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the Managing Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary and perquisites as specified above.

Memorandum of concern or interest :

Mr. Vimal Kapur is interested in the aforesaid resolution as the Managing Director of the Company.

Item No. 8 :

Mr. Harshavardhan Chitale has been appointed as Executive Director and is designated as the Vice-Chairman of the Board and the shareholders in the AGM held on April 13, 2007 approved the resolution. However, the Board has recommended changes in the remuneration and the same need to be approved by the shareholders.

I) **Period :** Three years w.e.f. November 1, 2006 with liberty to either party to terminate the appointment by three months notice in writing to the other.

II) Remuneration :

1. A base salary scale of Rs.3,00,000/- to 7,00,000/- per month, with authority to the Board to fix his salary within this scale from time to time.

2. Perquisites and Allowances :

- a) In addition to the salary payable, the Executive Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for himself and his family, car allowance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the Executive Director; such perquisites and allowances will be limited to 600% of his annual salary.
- b) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together, not taxable under the Income Tax Act; Gratuity payable as per the rules of the Company and encashment of leave at the end of tenure shall not be included in the computation of the limits for the remuneration or perquisites mentioned above.

The above payments made to the Executive Director comprising of salary, perquisites and allowances shall be reimbursed to the Company by Honeywell Inc., USA for the entire period during which Mr. Chitale is on deputation for his global assignment.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being, be in force.

3. **Minimum remuneration :** Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the Executive Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary and perquisites as specified above.

Memorandum of concern or interest :

Mr. Harshavardhan Chitale is interested in the aforesaid resolution as the Executive Director of the Company.

Dear Members,

The Directors present the **TWENTY-FOURTH ANNUAL REPORT** with the audited statements of accounts of the Company for the year ended December 31, 2007.

1. FINANCIAL RESULTS :

Particulars	Year ended December 31, 2007 (Rs. in lacs)	Year ended December 31, 2006 (Rs. in lacs)
Sales & Other Income	87177	64812
Operating Profit	10466	9000
Less : Interest	206	217
Depreciation	1414	982
Amortisation of	—	36
Miscellaneous Expenditure		
Profit for the year	8846	7765
Provision for tax	3107	2214
Deferred Tax Adjustment	(769)	(250)
PROFIT AFTER TAX	6508	5801
Profit brought forward from the previous year	7358	3565
Profit available for appropriations	13867	9366
APPROPRIATIONS		
General Reserve	1000	1000
Proposed Dividend	884	884
Tax on proposed dividend	177	124
BALANCE CARRIED FORWARD	11806	7358

2. DIVIDEND :

Final dividend @Rs.10/- per share of Rs.10/- each was recommended by the Board in their meeting held on January 24, 2008.

3. OPERATIONS :

The Company operates in five business units and the operations details are provided below:

3.1 Honeywell Process Solutions (HPS) :

In line with Honeywell's brand promise of building a world that is more safer & secure, more energy efficient, more innovative and productive, Honeywell Process Solutions has taken significant steps in 2007 to expand its solutions and products portfolio to address core and adjacent markets. These products and solutions will help improve our customer's business performance, safety, reliability and efficiency. Some of these, which can significantly improve our customers' performance are:

1. Energy Management Solution to meet complex load management requirements of industrial utilities.
2. Launch of new state of the art programmable automation controller to address fast growing metals, cement, power and chemicals market.
3. Integrated fire and gas solutions which significantly improve the response mechanism in case of fire or gas hazards.
4. Launch of new revolutionary one wireless solutions, which will reduce the cost of wires and installation time. Wireless sensors will also make it possible to get much more data than before which in turn will help to reduce cost, improve compliance and safety.
5. First of its kind corrosion monitoring solution to proactively avoid / reduce down time / disaster on account of corrosion

6. New product / solution launches like flow meters, wireless transmitters, flow provers & tank farm management system
7. Indian industry is facing major challenges in terms of skilled manpower availability, cyber security, efficiency improvement and faster project implementation cycles. Our services business has launched host of services to address above concerns.

HPS was won prestigious Frost & Sullivan Excellence Awards for Product Leadership and Brand Leadership for the year 2007. These awards recognize Honeywell's relentless drive to meet customer needs and product demands. This award also stands testimony to the range of products offered by your company, your company's technology and reliability of your Company's products.

HPS also won many prestigious orders in 2007 from its existing and new customers like Reliance Industries, Hindustan Zinc Ltd., Larsen & Toubro, BHEL, EID Parry, Hindustan Petroleum Corporation Limited, Indian Oil Corporation, Oil & Natural Gas Corporation, Tata Steel Limited, Haldia Petrochemicals etc. to mention a few.

HPS Services business also grew significantly in 2007 both in terms of contract services to maintain our customer installation and outcome based services by our advanced services organisation.

With robust Indian economy forecasted for 2008 and significant investments in core sectors, we see a promising 2008 for this business.

3.2 Honeywell Business Solutions (HBS) :

Honeywell Building Solutions continues to grow with the market on all major business quantitative and qualitative parameters. This performance rides on the backbone of consistent business performance of all our lines of business - Install, Service and Energy.

The Install Business made significant progress in bagging major orders from major customers such as Reliance Group, TATA Group, Indian Oil Corporation, Delhi Metro Rail Corporation, VSNL, etc. Order booking is healthy and consistent ensuring sustained business performance and capacity management. Major macro trends of the construction industry bode well for continued and sustained Installed Business Performance.

The Service Business continued to expand its site and scope presence across all major accounts, verticals and territories, reflecting the success of multiple customer contact mechanisms and SLA driven responses and performance.

The Energy Business performed well bagging prestigious contracts such as Ruby Hall Clinic and delivering earlier committed reductions to its customers. Diverse factors such as Energy costs coupled with Environmental Awareness are all going a long way towards creating a tremendously positive environment for the energy business.

Overall, the business continues to maintain business, technology and brand leadership and received awards from Frost & Sullivan for best integrated solutions provider, best security solutions provider and best energy services provider.

3.3 Environment and Combustion Control (ECC) :

ECC achieved good Revenue growth over 2006. ECC have won Building Management Solutions order for first Green Building Hotel Project in India, Claridges Hotel in Delhi along with other prestigious projects like GVK Mall, Sahara Hospital etc. Water Control products business have grown strongly in construction segment with new products like Balancing Valves, Motorized Butterfly valves and executed prestigious projects like Amritsar Mall, Bangalore Airport, Reliance Corporate office etc. Combustion business had a strong growth in Food and Metal processing industries.

This business continues to grow rapidly with growth in rising Construction Industry. It has a strong product portfolio to service this industry and with its premium brands it is poised to maintain its high growth momentum.

3.4 Sensing & Control (ECC) :

S&C products business serves OEM's, Core Manufacturing segments viz. Automotive, Off-road Equipments, Medical, IT and Test & Measurement, etc by providing leading edge sensors and switches.

The Business has achieved revenue growth with start-up of local manufacturing lines of TPS and LCD hour meters for Automotive and various industries. The factory has received TS16949 letter of conformance from DNV. It will enable us to address growth opportunities in automotive market segment. The integration of sales in India for new line of business "Test & Measurement" was completed.

3.5 Global Engineering Services Business (GES) :

This business saw good growth of engineering work in 2007. The business saw some challenging environment due to Rupee appreciation in 2007, which has impacted its profitability. We are driving all actions to sustain both profitability and growth of this business in 2008. These actions include seeking better rates from our customers, improving our productivity and introducing higher end services. This business is also implementing Honeywell Operating System (HOS). HOS would elevate the level of productivity and quality of these operations and make it more competitive moving forward.

Your Company has started major operations towards product hardware export. Two Honeywell lines of products have already been approved for manufacture for global demand in 2008 and we expect this operation to expand in the coming years.

4. COMMUNITY DEVELOPMENT WORK :

HAIL has started a Child Sponsorship Program in close co-ordination with Sadhana Village an NGO. We have sponsored 40 children from Kolwan Valley Mulshi Taluka. This sponsorship monitors the child health and education. The funding has been made possible by the contribution from employees. This is used for various CSR activities that HAIL intends to undertake in the current year.

HAIL conducted Safety & Security Sessions for Schools in Pune - Dastur School, Rewachand Bhojwani, Abhinav Vidyalay, MMES Rathi School, Hutchings school were amongst the first batch of schools where HAIL organized demos and lectures (conducted by Usha Fire). These interactive sessions were to help the children understand the do's and don't's of Fire safety and actions to be taken in case of an emergency. "Road safety" and "security at homes", were the other topics also highlighted. This was an awareness programme and was well attended by all the school children. Keeping our children safe and alert were the key reasons for conducting these sessions.

The Company continues its activities with community development work under the employee engagement program called DISHA. Volunteers also visit 'The School for the Handicapped Children at Wanowrie. Computer classes are organized for these children, besides lessons in English speaking, Mathematics and Science.

5. DIRECTORS :

During the year under review, Mr. John Ellis, nominee of Honeywell, resigned as Director of the Company. The Board places on record its sincere appreciation for the services rendered by him towards the success of this Company. Mr. Jack Bolick has been appointed as Director nominated by Honeywell and has been designated as the Chairman of the Company.

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. S.L. Rao and Mr. Gerard Willis, retire by rotation and are eligible for reappointment. Mr. Jack Bolick retires at the forthcoming AGM as Additional Director and a notice in writing has been received for appointing him as a Director.

6. MANAGEMENT DISCUSSION & ANALYSIS/CORPORATE GOVERNANCE REPORT :

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

7. CODE OF CONDUCT COMPLIANCE :

As per Clause 49 of the Listing Agreement with the Stock Exchanges, the declaration signed by the Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the Financial Year 2007 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. CEO/CFO CERTIFICATION :

The Managing Director and the Chief Financial Officer have certified that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
- (e) We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
- (f) We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

11. 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.

12. ACKNOWLEDGEMENT :

The Board would like to place on record its appreciation and thanks to all its employees for their contribution. The Board also wishes to acknowledge the support it has received from its Bankers and from the Financial Institutions.

For and on behalf of the Board
JACK BOLICK
Chairman

New Delhi, January 24, 2008

Registered Office :

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

Annexure to Directors' Report

A) CONSERVATION OF ENERGY :

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

B) TECHNOLOGY ABSORPTION :

FORM B

Research and Development (R&D) :

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

- New Product development for HPS markets
- Oil & Gas downstream product suite development
- International Electrotechnical Commission Protocol development

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

- Product development for un-addressed market in different industrial segments

3. Future plan of action:

- Functional enhancement and Localization for all released products
- Innovation focus to define future Product requirements

4. Expenditure on R&D :

	2007	2006
	(Rs. In lacs)	(Rs. In lacs)
(a) Capital		—
(b) Recurring	8.73	32.50
(c) Total	8.73	32.50
(d) Total R&D expenditure as a percentage of turnover	0.01%	0.05%

Technology Absorption, Adaptation And Innovation :

The Company is a part of a Global Organization and uses Honeywell Technology to serve the customer needs in India.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

	(Rs. '000)
(i) Foreign Exchange Earned	2,221,444
(ii) Foreign Exchange Used	3,276,076

HIGHLIGHTS OF PERFORMANCE & MAJOR EVENTS

- Orders was up by 8% ↑
- Sales was up by 35% ↑
- EBIDTA was at Rs.10,047 Lakhs, up 16% over the corresponding previous period.
- Consistent Year on Year cash conversion performance.
- Major Capital investment in Infrastructure through internal accruals.
- Launch of several new products across all business in 2007.

INDUSTRY OUTLOOK AND OPPORTUNITIES

Honeywell Automation India Limited (HAIL) operating results are principally driven by Industrial production, Capital spending on Process and Building Automation, Commercial & Infrastructure Construction, commodity price inflation, fire and security concerns and regulations. HAIL primary area of focus include :

- Extending technology leadership; Lowest total installed cost, Integrated solutions within our Security, Fire and Sensors Product Portfolio.
- Defending and extending our installed base, through customer productivity and comprehensive service portfolio.
- Sustaining strong brand recognition.
- Continue to invest into Sales and Marketing resources, and New Product / Solution capabilities to drive profitable growth.
- Improving business operations through investments in systems and processes improvements.

Market Drivers

- Growing gap in the energy needs of the country coupled with rising energy cost and stringent emission standards creating new opportunities to deliver greater efficiencies to Industrial and Commercial customers.
- Safety and Security remains one of the top priorities for institutions.
- Growing industrialization and improved quality of life are accelerating infrastructure development like Airports, Mass Rapid Transportation, SEZ's, integrated townships etc.

Honeywell Process Solutions (HPS) business serves core industrial sectors of Refining, Oil & Gas, Pulp & Paper, Metal and Cement etc. Solutions that this business offers include Field Instruments, PLC's, Distributed Control Systems, QCS, Advanced Software Solutions and various value added services. This business has experienced good growth in last 3 years & is expected to show similar high grow in FY 2008. General Industrial growth and increasing investments in power generation, new investments in metals and investments in refineries for expansion as well as Euro 3 and Euro 4 compliance projects are driving growth of this business.

The business delivered on schedule large and complex projects both from the perspective of technical and geographical complexity. The business also launched the Metals Center of Excellence in Jamshedpur to serve their customers more effectively and efficiently. We continue to leverage synergies driven by global Honeywell Acquisitions driving stronger portfolio in our solutions space.

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. Solutions include, Fire automation, Security solutions, HVAC control, Integrated Building Management Systems, Energy reduction contracts and many other facility management services. This sector is witnessing high demand due to high growth of construction sector as well as increasing use of such modern solution in new upcoming buildings. Good opportunities for building automation are also seen in new investments that are taking place for Airport modernization, Retail applications and SEZ's.

The business added new customers with multi site structures, and we continue to deliver our operational efficiency in giving an integrated solution to the customer needs.

Environment & Combustion Control (ECC) Products business provides various products such as thermostats, valves, HVAC controllers, etc that are required for building automation. High growth of construction industry in India is expected to fuel growth of this business. We also expect this business to grow rapidly through its new initiatives of Novar products distribution and water distribution controls.

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. This business is experiencing good growth due to growth of manufacturing industry as well as increasing use of sensors in various equipments.

Global Services (GS) business, which offers solutions and services to overseas requirements of Honeywell and other customers, continues to show strong growth due to increased flow of work from Honeywell. The initiative of providing turnkey solutions to global organizations continues to be successful.

The business executed on schedule large turnkey global projects. The firming of the Indian Rupee did pose challenges on the profitability commitments of the business; the same is being addressed through pricing and productivity initiatives.

The Company is actively participating in global Honeywell initiatives of Global Manufacturing Foot Print Optimization; we continue to create manufacturing and sourcing capabilities in India.

FINANCIALS

The financial results for 2007 demonstrate another strong stride in achievement of our objectives. Net Sales were up 35% to Rs. 86830 lacs. Earnings per share grew at 12% to Rs 73.62 per share continuing to further enhance shareholders value. Operating cash flow (cash flow from operations) at Rs 49.9 Crores as a result of disciplined working capital initiative.

Your Company continues to generate cash which enables it to invest back the same for its capital commitments and working capital needs. Good cash flow, a strong balance sheet and a robust outlook for the future allowed us to again maintain our dividend at 100% (Rs. 10 per share). We expect continued strong performance at HAIL. Over the past few years we have worked hard to develop great positions in good industries and reinforce Honeywell five initiatives and twelve behaviors. We have a great foundation for sustained performance in future which will enable to building investor credibility.

“Great Positions in Good Industries”

This makes a big difference. Being in good industries provide a tail wind for growth. Having a leadership position accelerates that growth, because of critical mass and differentiators like sales coverage and operational excellence. HAIL leadership team has excellent capabilities in managing sales, driving productivity, deploying operational excellence in continuous reduction in cost to serve and are passionate about customer service. We continue to win industry awards for our innovation and customer service.

Your Company has taken great strides in Honeywell Operating System (HOS) deployment across factories, and engineering centers. It provides a great framework for continuous improvements in key operation matrix around Safety, Quality, Delivery, Cost and Inventory.

Five Initiatives

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

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

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

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

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

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

RISKS & CONCERNS

The growth in your Company's business is dependent on the sustaining momentum of the economy – especially continued investments in infrastructure, manufacturing and construction. While fundamentals appear to be strong, the Indian economic picture needs to be cautiously viewed based on political scenario, progress of secondary reforms and global integration.

Volatility of exchange rate continues to be a concern due to large exposure to foreign currencies that the company has on account of imports as well as exports. The recent trend of the firming of the Indian rupee poses further challenges on our export business. While, there is some 'natural hedge' available for exports v/s imports, there is still significant residual exposure due to differences in currencies as well as timing mismatches.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

• Management Audit

Your Company has a strong management audit framework. The Audit Committee consists of Promoter Directors & Independent Directors.

The Audit Committee meets every quarter to review compliance with internal controls, accounting standards, policies, quarterly accounts etc.

The Audit framework includes internal audit, process audits and periodic Honeywell audits for various aspects. Findings of all such audits are presented to the Audit Committee.

▪ Budget Control

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

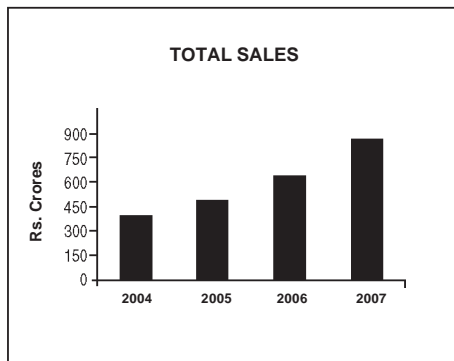
The Company has a strong Operations review mechanism in place. The Management Committee, the Business Unit / Department Head review the performance of the business and the expenses on a monthly basis and corrective actions are discussed and implemented.

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

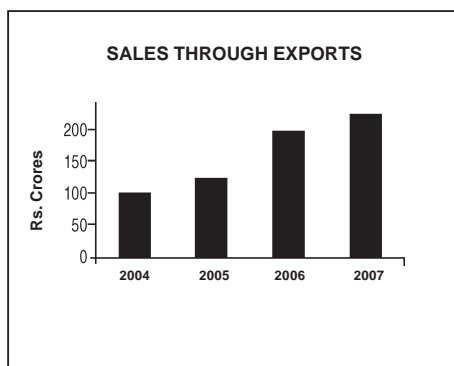
Summary

It is been another year of consistent performance. We are doing a better job for our customers everyday and we can see more potential ahead.

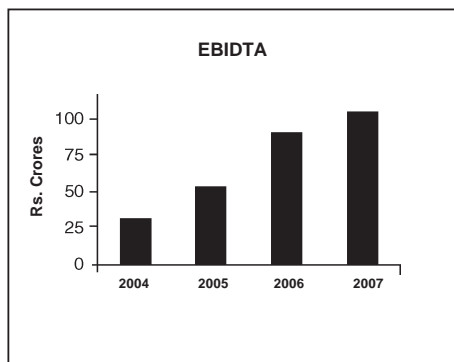
FINANCIAL PERFORMANCE



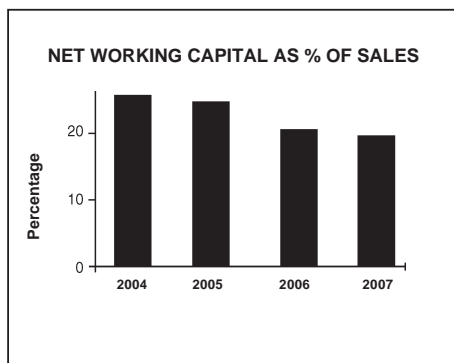
Total sales growth of 35% over the corresponding previous period mainly driven by large green field projects execution.



Total exports growth of 14% over the corresponding previous period. Challenges of the firming Indian rupee vis-a-vis US\$ mitigated by productivity and volume initiatives.



EBIDTA growth by 16% over the corresponding previous period. Lower EBIDTA growth is due to higher revenue mix of green field projects.



Net Working Capital as a % to sales constant inspite of sales growth of 35% resulted in improved Working Capital turns.

CAUTIONARY STATEMENT

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

To

The Members of Honeywell Automation India Limited

1. We have audited the attached Balance Sheet of Honeywell Automation India Limited (the "Company") as at December 31, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors of the Company as on December 31, 2007 and taken on record by the Board of Directors of the Company, none of the directors of the Company is disqualified as on December 31, 2007 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 also give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Pune
Date : January 24, 2008

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

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Honeywell Automation India Limited on the financial statements for the year ended December 31, 2007]

- 1 (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the Management according to a phased programme in five years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- 2 (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- 3 (a) The Company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 325,000 ('000) and Rs. 185,000 ('000) respectively.
(b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
(d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lac.
(e) The Company has taken unsecured loans from two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 90,000 ('000) and Rs. Nil respectively.
(f) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(g) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated, and is also regular in payment of interest.
- 4 In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system, commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- 5 (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6 The Company has not accepted any deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- 8 We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, income-tax, customs duty, wealth tax, service tax, excise duty and cess as at December 31, 2007 which have not been deposited on account of a dispute, except as follows :

Name of the statute	Nature of dues	Amount* (Rs.lacs)	Financial years to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Duty liability arising out of goods installed at customer sites	21	2002-03	Customs, Excise and Service Tax Appellate Tribunal
The Central Excise Act, 1944	Classification of software for rate of duty	66	1999-00	Customs, Excise and Service Tax Appellate Tribunal
Maharashtra Sales Tax Act, 1960	Tax levied on reimbursement of freight & insurance	8	1997-98 to 2000-01	Tribunal
Works Contract (Re-enacted) Act, 1989	Demand of Works contract tax	667	1997-98 to 1999-00	Maharashtra Tribunal, Mumbai
Works Contract (Re-enacted) Act, 1989	Differential tax on AMC contracts	85	1999-2000 to 2000-01	Deputy Commissioner (Appeals)
Gujarat Sales Tax Act 1969	Exemption denied for supplies and imports used in WCT under NEXUS theory	9	2000-01 and 2001-02	Assistant Commissioner (Appeals)
Pune Municipal Corporation - Octroi	Denial of exemption granted on account of procedural lapses	11	2003-04	Small Cause Court

* Net of amounts paid under protest or otherwise

- 10 The Company has no accumulated losses as at December 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank, financial institution or debenture holders as at the Balance Sheet date.
- 12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- 14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 15 In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 16 The Company has not obtained any term loans.
- 17 On the basis of an overall examination of the Balance Sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- 19 The Company has not issued any debentures.
- 20 The Company has not raised any money by public issues during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Place : Pune
Date : January 24, 2008

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

**Balance Sheet as at
December 31, 2007**

**Honeywell Automation India Ltd.
Annual Report 2007**

	Schedule	As At December 31, 2007 (Rs. '000)	As At December 31, 2006 (Rs. '000)
Sources of Funds			
1. Shareholders' Funds			
a) Share Capital	1	88,415	88,415
b) Reserves and Surplus	2	2,255,080	1,710,881
		<u>2,343,495</u>	<u>1,799,296</u>
2. Loan Funds			
a) Secured Loans	3	19,670	4,652
b) Unsecured Loans	4	108,283	120,698
		<u>127,953</u>	<u>125,350</u>
		<u>2,471,448</u>	<u>1,924,646</u>
Application of Funds			
1. Fixed Assets			
a) Gross Block	5	1,036,728	1,040,211
b) Less: Depreciation		695,169	634,877
c) Net Block		341,559	405,334
d) Add: Capital Work-in-progress		267,264	119,179
		<u>608,823</u>	<u>524,513</u>
2. Deferred Tax Assets			
[Refer Note 2 (v) of Schedule 17]		157,175	79,952
3. Current Assets, Loans and Advances			
Inventories	6	354,749	340,717
Sundry Debtors	7	2,537,893	1,901,374
Contracts in progress (Refer Note 18 of Schedule 17)		721,850	609,473
Cash and Bank balances	8	538,505	386,270
Loans and Advances	9	691,904	372,755
		<u>4,844,901</u>	<u>3,610,589</u>
Less: Current Liabilities and Provisions	10	<u>3,139,451</u>	<u>2,290,408</u>
Net Current Assets		<u>1,705,450</u>	<u>1,320,181</u>
4. Miscellaneous Expenditure			
(To the extent not written off or adjusted)	11	–	–
		<u>2,471,448</u>	<u>1,924,646</u>
Notes to Accounts	17		

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

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

Jack D. Bolick
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place: Pune
Date: January 24, 2008

Place: New Delhi
Date: January 24, 2008

	Schedule	Year Ended December 31, 2007 (Rs. '000)	Year ended December 31, 2006 (Rs. '000)
INCOME FROM OPERATIONS AND OTHER INCOME			
1. Sales	12	8,974,998	6,642,147
Less : Excise Duty recovered		<u>291,934</u>	<u>202,610</u>
Net Sales		8,683,064	6,439,537
2. Other Income	13	<u>34,733</u>	<u>41,639</u>
		8,717,797	6,481,176
EXPENDITURE			
1. Material and Manufacturing Expenses	14	4,972,737	3,758,424
2. Employees' Remuneration and Benefits	15	1,388,372	955,681
3. Selling, Administration and Other Expenses	16	1,309,973	867,097
4. Interest (Refer Note 6 of Schedule 17)		20,712	21,700
5. Depreciation [Refer Note 1 (f) and 21 of Schedule 17]		141,358	98,161
6. Amortisation of Miscellaneous Expenditure [Refer Note 1 (h) of Schedule 17]		<u>—</u>	<u>3,636</u>
		7,833,152	5,704,699
Profit Before Taxation		884,645	776,477
Provision for Taxation			
Current Tax		259,682	154,205
Deferred Tax		(76,910)	(25,031)
Fringe Benefit Tax		43,300	44,708
Relating to earlier years		<u>7,700</u>	<u>22,500</u>
Profit After Taxation		650,873	580,095
Balance of Profit and Loss Account brought forward		735,808	356,528
Profit available for Appropriation		1,386,681	936,623
APPROPRIATIONS			
Proposed Dividend		88,415	88,415
Dividend Distribution Tax [Including Rs. 2,626 ('000) in respect of previous year]		17,652	12,400
Transfer to General Reserve		100,000	100,000
Balance carried to Balance Sheet		<u>1,180,614</u>	<u>735,808</u>
		1,386,681	936,623
Basic/ Diluted Earnings per Share (Face Value Rs. 10 per share) [Refer Note 2 (iv) of Schedule 17]		<u>73.62</u>	<u>65.61</u>
Notes to Accounts	17		

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

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

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

Jack D. Bolick
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place: Pune
Date: January 24, 2008

Place: New Delhi
Date: January 24, 2008

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT DECEMBER 31, 2007**

As At December 31, 2007 Rupees ('000)	As at December 31, 2006 Rupees ('000)
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SCHEDULE - 1 : SHARE CAPITAL**Authorised :**

10,000,000 Equity Shares of Rs. 10 each	100,000	100,000
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Issued :

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

8,841,523 Equity Shares of Rs. 10 each, fully paid up	88,415	88,415
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TOTAL**88,415****88,415**

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

As At December 31, 2007 Rupees ('000)	As at December 31, 2006 Rupees ('000)
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SCHEDULE - 2 : RESERVES AND SURPLUS

Securities Premium Account	157,708	157,708
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General Reserve As per last Balance Sheet	817,365	717,365
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Less : Transitional effect on account of AS 15 (Revised 2005) "Employee Benefits" (Refer note 20 of Schedule 17)	607	-
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Add : Transferred from Profit and Loss Account	100,000	100,000
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General Reserve Closing balance	916,758	817,365
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Balance in Profit and Loss Account	1,180,614	735,808
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TOTAL**2,255,080****1,710,881**

	As at December 31, 2007 Rupees ('000)	As at December 31, 2006 Rupees ('000)
SCHEDULE - 3 : SECURED LOANS		
Cash Credit [Refer Note 4 (a) of Schedule 17]	—	264
Loan from Banks (Repayable within one year Rs. 4,511 ('000); previous year Rs. 326('000)) [Refer Note 4 (a) of Schedule 17]	18,157	1,427
Finance Lease [Refer Note 2 (iii) of Schedule 17]	1,513	2,961
TOTAL	19,670	4,652

SCHEDULE - 4 : UNSECURED LOANS

Deferred Sales Tax Liability		
(a) Under the 1987 Package Scheme of Incentives, Govt. of Maharashtra [Due within one year - Rs. 12,284 ('000); previous year - Rs. 12,415 ('000)] [Refer Note 4 (b) of Schedule 17]	47,315	59,730
(b) Under the 1993 Package Scheme of Incentives, Govt. of Maharashtra (Due within one year - Rs. Nil; previous year - Rs. Nil) [Refer Note 4 (b) of Schedule 17]	60,968	60,968
TOTAL	108,283	120,698

SCHEDULE - 5 : FIXED ASSETS

[Refer Note 1(e), (f), (g), 21 and 22 of Schedule 17]

(Rs. '000)

Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on December 31, 2006	Additions during the year	Deletions during the year	Cost as on December 31, 2007	Accumulated Depreciation as on December 31, 2006	Depreciation for the year	Depreciation written back on deletions during the year	Accumulated Depreciation as on December 31, 2007	As on December 31, 2007	As on December 31, 2006
Tangible Assets										
Land	3,024	—	—	3,024	—	—	—	—	3,024	3,024
Buildings	106,764	—	2,059	104,705	21,009	3,492	680	23,821	80,884	85,755
Plant and Machinery	310,096	34,434	5,556	338,974	205,031	49,567	3,393	251,205	87,769	105,065
Computers	230,574	26,767	1,829	255,512	151,682	29,605	1,337	179,950	75,562	78,892
Furniture and Fixtures	114,077	4,952	1,286	117,743	46,362	23,966	762	69,566	48,177	67,715
Office Equipment	32,103	4,865	2,307	34,661	15,112	10,736	1,201	24,647	10,014	16,991
Vehicles (Refer Note below)	17,235	20,670	—	37,905	12,165	5,044	—	17,209	20,696	5,070
Intangible Assets										
Product Distribution Rights HSPL	105,962	—	—	105,962	84,808	10,618	—	95,426	10,536	21,154
Product Distribution Rights SAARC	82,462	—	82,462	—	69,988	3,705	73,693	—	—	12,474
Oracle License	11,646	—	—	11,646	6,188	2,565	—	8,753	2,893	5,458
Software	26,268	328	—	26,596	22,532	2,060	—	24,592	2,004	3,736
TOTAL	1,040,211	92,016	95,499	1,036,728	634,877	141,358	81,066	695,169	341,559	405,334
Previous year	941,468	116,812	18,069	1,040,211	545,373	98,161	8,657	634,877		
Capital Work in Progress (Including advances on Capital Account)									267,264	119,179
									608,823	524,513

NOTE :

Vehicles include assets acquired on finance lease with a cost of Rs.3,701 ('000) [Previous year Rs. 7,786 ('000)] and a written down value of Rs.2,059 ('000) [Previous year Rs.2,821 ('000)].

	As at December 31, 2007 Rupees ('000)	As at December 31, 2006 Rupees ('000)
SCHEDULE - 6 : INVENTORIES		
(As valued and certified by the Management)		
[Refer Note 1(c) of Schedule 17]		
Raw Material (Including trading stock of Rs. 69,787 ('000); Previous year Rs. 44,334 ('000))	276,658	238,800
Raw Material-in-transit	30,912	54,806
Work-in-Progress	29,633	31,377
Finished Goods	17,546	15,734
TOTAL	354,749	340,717
SCHEDULE - 7 : SUNDRY DEBTORS		
[Refer Note 8 of Schedule 17]		
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	693,958	514,800
Considered Doubtful	243,506	211,393
	937,464	726,193
Other Debts, considered good (This includes Retention Money not due of Rs. 1,140,769 ('000); Previous Year - Rs. 609,997 ('000))	1,843,935	1,386,574
Less: Provision for doubtful debts	243,506	211,393
TOTAL	2,537,893	1,901,374
SCHEDULE - 8 : CASH AND BANK BALANCES		
Cash	1,884	2,573
Bank Balance with Scheduled Banks		
- On Current Account	261,048	200,001
- On Fixed Deposits	251,000	180,000
[includes balances in Exchange Earner's Foreign Exchange Currency Accounts equivalent to an amount aggregating to Rs. 16,386 ('000); (Previous Year Rs. 28,845 ('000))]		
Bank Balance with Non-Scheduled Banks		
- ABN Amro Jabel Ali UAE.	22,674	-
- Lasalle Bank N.A.	1,899	3,696
TOTAL	538,505	386,270
Maximum balance outstanding during the year for the above		
- ABN Amro Jabel Ali UAE.	27,025	-
- Lasalle Bank N.A.	3,955	4,989

	As at December 31, 2007 Rupees ('000)	As at December 31, 2006 Rupees ('000)
SCHEDULE - 9 : LOANS AND ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	522,415	259,499
Balance with Central Excise, Custom Authorities, etc.	24,404	11,481
Advance Income Tax, including tax deducted at source (net of provisions)	145,085	101,775
TOTAL	691,904	372,755

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

Acceptances	206,022	22,250
Sundry Creditors		
- Dues to Micro and Small Enterprises [Refer note 3(b) of Schedule 17]	206,945	-
- Dues to creditors other than Micro and Small Enterprises	1,753,827	1,607,105
Advance from Customers	553,212	372,383
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956, not due		
- Unclaimed Dividend	1,634	1,351
Other Liabilities	35,528	36,623
	2,757,168	2,039,712

Provisions

Proposed Dividend	88,415	88,415
Dividend Distribution Tax	15,026	12,400
Warranty (Refer Note 19 of Schedule 17)	171,147	92,625
Gratuity	21,804	7,135
Leave Encashment	53,849	26,564
Provision for Future Losses on Contracts (Refer Note 19 of Schedule 17)	32,042	23,557
	382,283	250,696
TOTAL	3,139,451	2,290,408

SCHEDULE - 11 : MISCELLANEOUS EXPENDITURE(To the extent not written off or adjusted)
[Refer Note 1(h) of Schedule 17]

Technology Cost	-	3,636
Less: Amortisation	-	3,636
TOTAL	-	-

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Year ended December 31, 2007 Rupees ('000)	Year ended December 31, 2006 Rupees ('000)
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SCHEDULE - 12 : SALES

[Refer Note 1(b) and 2(i) of Schedule 17]

Products and Jobs	6,895,483	5,031,656
Services rendered	2,079,515	1,610,491
TOTAL	8,974,998	6,642,147

SCHEDULE - 13 : OTHER INCOME

Interest - Gross	12,253	4,357
[Includes Tax Deducted at Source Rs. 211 ('000), Previous year Rs. Nil]		
Interest on ICD	87	—
Provisions for doubtful debts written back	—	8,655
Provisions no longer required written back	8,075	6,556
Sundry Credit balances written back	12,752	13,819
Refund of Taxes and Duties	878	—
Foreign Exchange Gain (Net)	—	7,107
Miscellaneous Income	688	1,145
TOTAL	34,733	41,639

SCHEDULE - 14 : MATERIAL AND MANUFACTURING EXPENSES

Raw Materials, Components and Services consumed		
Opening Stock	293,606	242,778
Add: Purchases	4,896,631	3,751,059
	5,190,237	3,993,837
Less: Closing Stock	307,570	293,606
	4,882,667	3,700,231
(Increase)/ Decrease in Work-in-Progress		
Opening Work-in-Progress	31,377	33,177
Less: Closing Work-in-Progress	29,633	31,377
	1,744	1,800
(Increase)/Decrease in Finished Goods		
Opening Stock	15,734	6,985
Less: Closing Stock	17,546	15,734
	(1,812)	(8,749)
Excise Duty Expense	21,801	6,944
Power and Fuel	38,750	29,986
Other Manufacturing Expenses	5,194	10,007
Repairs and Maintenance		
- Buildings	5,444	2,006
- Plant and Machinery	17,631	14,345
- Others	1,318	1,854
	24,393	18,205
TOTAL	4,972,737	3,758,424

	Year ended December 31, 2007 Rupees ('000)	Year ended December 31, 2006 Rupees ('000)
SCHEDULE - 15 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, Wages, Bonus and Allowances	1,235,082	862,597
Company's Contribution to Provident Fund and Other Funds	69,818	41,063
Welfare Expenses	83,472	52,021
TOTAL	1,388,372	955,681
SCHEDULE 16 : SELLING, ADMINISTRATION AND OTHER EXPENSES		
Rent	121,962	73,828
Rates and Taxes	9,028	5,636
Freight and Octroi Outward	56,218	43,870
Travelling	318,743	315,809
Remuneration to Auditors :		
As Auditor	1,574	1,421
Other (Including Tax Audit)	1,250	750
Out of pocket expenses	36	24
	2,860	2,195
Insurance	16,747	12,138
Job Site Expenses	216,679	58,794
Communication Expenses	62,586	49,480
Liquidated Damages written off	24,806	20,603
Bad Debts written off	39,479	42,993
Loss on Foreign Exchange Fluctuations (Net)	105,673	-
Provision for doubtful debts	45,361	-
Loss on assets sold/ discarded	10,382	9,448
Sales Commission	4,934	4,138
Directors Fees	330	370
Miscellaneous Expenses	274,185	227,795
TOTAL	1,309,973	867,097

SCHEDULE - 17

Annexed to and forming part of the Balance Sheet as at December 31, 2007 and the Profit and Loss Account for the year ended December 31, 2007.

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

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

b) Revenue Recognition :

- i) Revenue in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method in accordance with Accounting Standard 7 – Accounting for Construction Contracts.
- ii) Percentage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iii) Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- iv) Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.
- v) Income from contractual claims is recognized on raising of the claim. However, consequential liability to excise duty, if any, is provided for and corresponding revenue is accounted for only on settlement of the claim. Income from non-contractual claims is recognised only on acceptance of the claim by the customer.
- vi) Revenue from sales of products and services are recognised when significant risks and rewards of ownership of products are passed on to the customer or when the service is provided.
- 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 percentage completion method of accounting.

c) Inventory Valuation :

Raw material spares and components are valued at cost on a moving weighted average basis 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 cost and net realisable value, and include material cost and cost of conversion.

d) Foreign Currency Transactions :

- i) Realised gains and losses on foreign currency revenue transactions are recognised in the Profit and Loss Account.
- ii) Monetary current assets and monetary liabilities denominated in foreign currency at the year-end are translated at the year-end exchange rates, and the resulting exchange difference is recognised in the Profit and Loss Account. Premium or discount arising at the inception of a forward exchange contract assigned to foreign currency assets is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or expense for the period.

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. The premium or discount arising at the inception of forward exchange contracts is amortised as an expense or an income over the life of the contract.

e) Fixed Assets :

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

f) Depreciation :

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

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

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

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

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

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

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

g) Impairment of Assets :

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

h) Miscellaneous Expenditure :

In respect of costs incurred prior to April 1, 2003:

- New Product Implementation training fee amortised over a period of 72 months, commencing from the month of implementation. All such costs incurred on or after April 1, 2003 are charged to the Profit and Loss Account in the year in which they are incurred.

i) Provisions and Contingent Liabilities:

Provisions are recognised when the Company has a present legal or constructive 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 or a present obligation that may, but probably will not, require an outflow of resources.

j) Employee Retirement Benefits :

i) Post-Employment Employee Benefits

a) Defined Contribution Plans:

The Company has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund and Provident Fund for all employees which are administered by Life Insurance Corporation (LIC) and Regional Provident Fund Commissioner respectively. Superannuation Fund and Provident Fund are classified as 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 for management employees which are administered through Life Insurance Corporation (LIC).

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

ii) Other Long-term Employee Benefit :

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Accrued Benefit method which is the same as the Projected Unit Credit method in respect of past service. Under this method, the Defined Benefit Obligation is calculated taking into account pattern of avilment of leave whilst in service and qualifying salary on the date of avilment of leave. In respect of encashment of leave, the Defined Benefit Obligation is calculated taking into account all types of decrement and qualifying salary projected up to the assumed date of encashment.

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

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

k) Lease Accounting :

i) In respect of finance lease agreements entered into by the Company on or after April 1, 2001, as a lessee, the assets taken on lease are capitalised and depreciated in accordance with the requirements of AS – 19 'Leases'. In respect of lease agreements entered into prior to April 1, 2001, the lease rentals paid are debited to the profit and loss account, as permitted by the Standard.

ii) In respect of operating lease agreements entered into by the Company as a lessor, the initial direct costs are recognised as expense in the year in which they are incurred.

iii) In respect of operating lease agreements entered into by the Company as a lessee, the lease payments are recognized as expense in the profit and loss account over the lease term.

l) Taxation :

Current Tax :

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

Deferred Tax :

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

2. Disclosures under Accounting Standards

i) Segment Reporting : Accounting Standard 17

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

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

	(Rs. '000)	
	For the year ended December 31, 2007	For the year ended December 31, 2006
Domestic	7,137,086	5,052,878
Exports	1,837,912	1,589,269
Total	8,974,998	6,642,147

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

ii) Related Party Disclosures: Accounting Standard 18

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

(i)	Parties where control exists :
	Honeywell Asia-Pacific Inc. Honeywell International Inc.

Other related parties with whom transactions have taken place during the year :	
(ii)	Fellow subsidiaries
	<p>Cara C'Air B.V. Clarostat de Mexico, S. de R.L. de C.V. Comfort Cooling PLC Elmwood Sensors Limited Honeywell (China) Co., Ltd. Honeywell (Tianjin) Limited Honeywell A.B. Honeywell A/S (Denmark) Honeywell A/S (Norway) Honeywell AG (Switzerland) Honeywell Airport Systems GmbH Honeywell Analytics AG Honeywell ASCa Inc. Honeywell Austria Gesellschaft GmbH Honeywell Automation and Control Solutions Sarl Honeywell B.V. Honeywell CentraBuerkle AG Honeywell Co., Ltd. (Korea) Honeywell Control Systems Limited Honeywell Egypt Ltd Honeywell Engineering SDN. BHD. Honeywell Facility Management GmbH Honeywell GmbH Honeywell Hi-Spec Solutions Limited Honeywell Holdings Pty. Ltd. Honeywell Inc. - Puerto Rico (Not in Law DB) Honeywell International (India) P. Ltd Honeywell International Asia Pacific Inc. Honeywell International Inc. Honeywell K.K. Honeywell Limited Honeywell Limited (Hong Kong) Honeywell Middle East B.V.</p> <p>Honeywell NEI Division Honeywell Optoelectronica, S.A. de C.V. Honeywell Otomasyon ve Kontrol Sistemleri Sanayi ve Ticaret A.S. Honeywell OY Honeywell P3 Global It Solutions Honeywell Pte. Ltd. Honeywell S.A. (France) Honeywell S.A. (Belgium) Honeywell S.p.A. Honeywell Safety Management Systems B.V. Honeywell Security & Custom Electronics Honeywell Services, S.A. de C.V. Honeywell Southern Africa (Proprietary) Limited Honeywell Sp.z o.o. Honeywell spol, sro Honeywell Systems (Thailand) Limited Honeywell Taiwan Limited Honeywell Technology Solutions Lab Private Limited Honeywell Tecnologia y Seguridad, S.A. Honeywell, C.A. Honeywell-Measurex (Ireland) Limited (Trading Branch) Petrocom Pittway Systems Technology Group Europe Limited Satronic AG Shanghai C&K Technology Co. Ltd. Novar Controls Trend Control Systems Limited Honeywell Electrical Devices & Systems India Ltd. (Novar India Ltd.) Honeywell Investment India Private Limited.</p>
(iii)	Companies in which Directors are interested in as Director Orpak System Ltd. Reliance Energy Ltd Rain Calcining Ltd.
(iv)	Key Management Personnel Mr. Vimal Kapur (Executive Director upto October 31, 2006 and Managing Director with effect from November 1, 2006)
	Mr. Harshavardhan Chitale (Managing Director upto October 31, 2006 and Executive Director with effect from November 1, 2006)

Transactions with Related parties

(Rs.'000)

Description of the nature of transactions	Volume of transactions during		Amount outstanding as on December 31,			
	Year ended December 31, 2007	Year ended December 31, 2006	2007		2006	
			Receivable	Payable	Receivable	Payable
Sales of goods, Services and reimbursement of Expenses						
<u>Holding Company</u>						
Honeywell International Inc.	392,730	349,676	82,059	–	77,880	–
Total	392,730	349,676	82,059	–	77,880	–
<u>Fellow Subsidiaries</u>						
Honeywell Middle East B. V.	175,023	252,069	24,902	–	44,706	–
Honeywell S. A. (Belgium)	252,639	263,195	(83,706)	–	18,295	–
Other fellow subsidiaries	1,082,831	755,918	206,626	–	187,489	–
Total	1,510,493	1,271,182	147,822	–	250,490	–
<u>Companies in which Directors are interested in as Director</u>						
Orpak System Ltd.	173,856	229,632	128,246	–	185,879	–
Reliance Energy Ltd	1,110	583	383	–	463	–
Rain Calcining Ltd.	2,004	3,337	177	–	55	–
Total	176,970	233,552	128,806	–	186,397	–
Purchase of goods, services and fixed assets						
<u>Holding Company</u>						
Honeywell International Inc.	408,812	424,624	–	52,735	–	108,109
Total	408,812	424,624	–	52,735	–	108,109
<u>Fellow Subsidiaries</u>						
Honeywell Optoelectronica, S.A. de C.V.	169,755	162,915	–	10,886	–	35,937
Other Fellow Subsidiaries	958,218	603,435	–	167,585	–	159,389
Total	1,127,973	766,350	–	178,471	–	195,326
<u>Companies in which Directors are interested in as Director</u>						
Orpak System Ltd.	199,112	24,970	–	81,109	–	10,621
Total	199,112	24,970	–	81,109	–	10,621
Dividend Paid						
<u>Holding Company</u>						
Honeywell Asia Pacific Inc.	71,825	57,463	–	–	–	–
Total	71,825	57,463	–	–	–	–
Inter corporate Deposits						
<u>Fellow subsidiaries</u>						
Honeywell Turbo Technologies (I) Pvt. Ltd.	185,000	–	185,000	–	–	–
Honeywell Turbo (India) Pvt. Ltd	140,000	–	–	–	–	–
Total	325,000	–	185,000	–	–	–
Inter corporate Loans						
<u>Fellow subsidiaries</u>						
Novar India Limited	20,000	55,000	–	–	–	–
Honeywell International India Pvt. Ltd.	70,000	150,000	–	–	–	–
Total	90,000	205,000	–	–	–	–
Interest on Inter corporate Deposit						
<u>Fellow subsidiaries</u>						
Honeywell Turbo (India) Pvt. Ltd	87	–	–	–	–	–
Total	87	–	–	–	–	–

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,			
	Year ended December 31, 2007	Year ended December 31, 2006	2007		2006	
			Receivable	Payable	Receivable	Payable
Interest on Inter corporate Loans						
<u>Fellow subsidiaries</u>						
Novar India Limited	497	2,092	-	-	-	-
Honeywell International India Pvt. Ltd.	2,721	5,205	-	-	-	-
Total	3,218	7,297	-	-	-	-
Managerial Remuneration						
<u>Key management personnel</u>						
Harshavardhan Chitale	10,865	4,454	-	-	-	-
Vimal Kapur	4,060	3,038	-	-	-	-
Total	14,925	7,492	-	-	-	-
Commission						
<u>Key management personnel</u>						
Harshavardhan Chitale	-	2,016	-	-	-	-
Vimal Kapur	2,762	1,915	-	-	-	-
Total	2,762	3,931	-	-	-	-

iii) Lease Transactions: Accounting Standard 19

As a Lessee in a Finance Lease:

The Company has taken vehicles under finance lease arrangements of three-five years. The future minimum lease payments under these leases as of December 31, 2007 are as follows:

(Rs.'000)

	Due within 12 months		Due between 12-60 months		Total amount due	
	Dec. 07	Dec. 06	Dec. 07	Dec. 06	Dec. 07	Dec. 06
Minimum lease rental payable as on Balance Sheet date	841	1,703	865	1,701	1,706	3,404
Finance Charges payable	123	250	70	193	193	443
Present value of Minimum lease rental payable at discounted rate implicit in lease agreement	718	1,453	795	1,508	1,513	2,961

As a Lessee in an Operating Lease:

The Company has hired assets under non-cancelable operating lease arrangements at stipulated rentals. The future minimum lease payments under these leases as of December 31, 2007 are as follows:

(Rs.'000)

	Due within 12 months	Due between 12-60 months	Due beyond 60 months	Total amount due
Minimum lease payments	28,980	31,149	-	60,129

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

Rentals paid for computers under operating leases of Rs. 5,632 ('000) [Previous year Rs. 2,281 ('000)] have been included under 'Rent'.

iv) Earnings per Share (EPS): Accounting Standard 20

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

	For the year ended December 31, 2007	For the year ended December 31, 2006
Profit after Tax (Rs. '000)	650,873	580,095
Weighted Average number of Equity Shares	8,841,523	8,841,523
EPS (Rs.) (not annualized)	73.62	65.61
Face value per share (Rs.)	10.00	10.00

v) Deferred Taxation: Accounting Standard 22

(Rs. '000)

Composition	As at December 31, 2007	As at December 31, 2006
a) Deferred Tax Assets		
Depreciation and Amortisation	11,509	–
Provision for Doubtful Debts	87,271	71,155
Cost to Complete	11,571	7,929
Provision for Leave Encashment	18,303	6,707
Bonus	26,954	11,478
Others	1,567	525
Deferred Tax Asset	157,175	97,794
b) Deferred Tax Liability		
Depreciation and Amortisation	–	17,842
Net Deferred Tax Asset	157,175	79,952
Deferred tax charge/credit for the year is as follows :		
Opening Deferred Tax (Liability) / Asset	79,952	54,921
Add : Transitional effect on account of AS 15 (Revised 2005) Employee benefits-Refer note 20 below	313	–
Less : Closing Deferred Tax Asset	157,175	79,952
Deferred Tax (Charge) / benefit	(76,910)	(25,031)

3. a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for – Rs. 18,314 ('000) [Previous Year Rs. 156,440 ('000)].

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

(Rs. '000)

Particulars	December 31, 2007
(a) Principal amount remaining unpaid and Interest due thereon	206,945
(b) Interest paid in terms of section 16	–
(c) Interest due and payable for the period of delay in payment	–
(d) Interest accrued and remaining unpaid	–
(e) Interest due and payable even in the succeeding years	–

The Company has compiled the above information based on verbal confirmations from suppliers. As at the year end, no supplier has intimated the Company about its status as a Micro or Small Enterprise or its registration under Micro, Small and Medium Enterprises Development Act, 2006

4. a) The cash credit/working capital term loans from Banks including foreign currency loans, for working capital, accounts are secured by hypothecation of present and future stocks of raw materials, semi- finished goods, finished goods, stores and spares and book debts. The vehicle loans are secured by hypothecation of vehicles.

b) The sales tax liability of Rs. 47,315 ('000) [Previous Year Rs. 59,730 ('000)], deferred and classified under unsecured loans is repayable, in respect of each year's collection, in six annual installments commencing from the year 2005.

The sales tax liability of Rs. 60,968 ('000) [Previous Year Rs. 60,968 ('000)], deferred and classified under unsecured loans is repayable, in respect of each year's collection, in five annual installments commencing from the year 2010.

5. Provision for taxation has been made after considering the various allowances/deductions available and after excluding profits derived from an undertaking registered with Software Technology Parks of India under section 10A of the Income Tax Act, 1961.
6. Interest includes interest on fixed loans Rs. 12,635 ('000) [Previous Year Rs. 17,495 ('000)] and others Rs. 8,077 ('000) [Previous Year Rs. 4,205 ('000)].

7. Forward Contracts Outstanding

(Rs.'000)

Particulars	As at December 31, 2007	As at December 31, 2006
In USD (Import Covers) (Equivalent approximate in Rs.)	37,403 1,490,078	12,512 554,219
In GBP (Equivalent approximate in Rs.)	1,960 154,751	497 43,263
In EURO (Equivalent approximate in Rs.)	2,707 154,842	2,504 146,296
In USD (Export Covers) (Equivalent approximate in Rs.)	34,200 1,363,669	– –

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

(Rs.'000)

Particulars	As at December 31, 2007	As at December 31, 2006
Liability		
In CAD (Equivalent approximate in Rs.)	8 304	– –
In AUD (Equivalent approximate in Rs.)	– 5	18 635
In JPY (Equivalent approximate in Rs.)	– –	1,141 425
In SGD (Equivalent approximate in Rs.)	– –	69 1,984
In CHF (Equivalent approximate in Rs.)	30 1,045	93 3,383
In ZAR (Equivalent approximate in Rs.)	152 872	125 769
In SEK (Equivalent approximate in Rs.)	73 438	45 308
Assets		
In USD (Equivalent approximate in Rs.)	– –	9,224 408,559
In GBP (Equivalent approximate in Rs.)	– –	74 6,430
In EURO (Equivalent approximate in Rs.)	– –	478 27,913
In AUD (Equivalent approximate in Rs.)	– –	181 6,336
In JPY (Equivalent approximate in Rs.)	467 164	– –
In SGD (Equivalent approximate in Rs.)	1 20	– –

8. While effecting payments to the Company for supplies/services, its customers have not yet paid amounts aggregating to Rs.34,772 ('000) [Previous Year Rs. 14,487 ('000)], towards late delivery in terms of customer interpretations of contractual provisions. The Company is making necessary representations to each customer and expects to be successful in obtaining release of these amounts.

9. Contingent Liabilities:

(Rs.'000)

	December 31, 2007	December 31, 2006
a) Income tax claims against the Company, for which the Company is in appeal.*	109,645	113,900
b) Excise duty claims against the Company, for which the Company is in appeal.*	8,635	9,110
c) Sales Tax refunds/claims against the Company, for which the Company is in appeal.*	153,486	125,829
d) Customs Duty claims against the Company, for which the Company is in appeal.*	Nil	3,200
e) Octroi Claim against which the Company is in appeal *	1,055	1,055
f) Bank Guarantees given to customers- against performance/advance. The Bank Guarantees issued are secured by hypothecation of present and future stocks of raw materials, semi- finished goods, finished goods, stores and spares and book debts.	1,720,748	1,545,895

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

10. Directors' Remuneration

a)

(Rs.'000)

	For the year Ended December 31, 2007	For the year Ended December 31, 2006
i) Salaries & Allowances	13,627	6,443
ii) Perquisites	15	28
iii) Contribution to Provident and Superannuation Fund	1,283	1,021
iv) Commission on Profits		
- Executive Directors	2,762	3,206
- Non-Executive Directors	2,000	1,800
	19,687	12,498

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

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

(Rs.'000)

	December 31, 2007		December 31, 2006	
Profit as per Profit and Loss Account (After prior period adjustment and before taxes)		884,645		776,477
Add :				
Directors' Remuneration, Commission and Fees	19,687		12,498	
Provision for Doubtful Debts and Advances	45,361		(8,655)	
Directors' Sitting fees	330		370	
Bad debts written off	39,479		42,993	
Loss on sale of Fixed Assets	10,382		9,448	
Depreciation as per books	141,358		98,161	
		256,597		154,815
(Less) :				
Depreciation under Section 349		141,358		98,161
Net Profit in accordance with Section 349		999,884		833,131
Maximum Commission on Profits payable to Directors (1% of Net Profit)		9,999		8,331
Restricted to		4,762		5,006

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

Details of Products Manufactured, Traded and Services Rendered.

(Rs.'000)

	Licensed Capacity	Installed Capacity	Opening Stock		Production	Sales		Closing Stock	
			Qty. (Nos)	Value		Qty. (Nos)	Qty. (Nos)	Value	Qty. (Nos)
(i) Manufactured Products									
Systems	240 (240)	* *	– –	– –	143 (139)	143 (139)	1,044,940 (878,658)	– –	– –
Transmitters	– –	– –	101 (38)	2,584 (1,404)	9,146 (5,656)	8,939 (5,593)	167,711 (114,324)	308 (101)	5,041 (2,584)
Others (including Bought Outs and Reimbursements)				13,150 (5,581)			4,794,459 (3,403,877)		12,505 (13,150)
(ii) Traded Products									
Various				44,334 (42,174)			888,373 (634,797)		69,787 (44,334)
(iii) Services Rendered									
							2,079,515 (1,610,491)		
Total				60,068 (49,159)			8,974,998 (6,642,147)		87,333 (60,068)

* Not quantifiable as the size/mix of the system varies according to customers' requirements.
Previous year figures are indicated in brackets.

12. Details of Raw Materials Consumed :

(Rs.'000)

Description	Qty.	For the Year ended December 31, 2007	For the Year ended December 31, 2006
Components for System Integration	Lot	4,882,667	3,700,231
Total		4,882,667	3,700,231

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

(Rs.' 000)

Description	%	For the year ended December 31, 2007	%	For the year ended December 31, 2006
Imported	63	3,074,741	58	2,162,978
Indigenous	37	1,807,926	42	1,537,253
Total		4,882,667		3,700,231

14. CIF Value of Imports :

(Rs. '000)

Description		For the year ended December 31, 2007	For the year ended December 31, 2006
a)	Capital Goods	18,562	23,417
b)	Raw Materials	2,819,425	1,909,820
	Total	2,837,987	1,933,237

15. Expenditure in Foreign Currency :

(Rs. '000)

Description		For the year ended December 31, 2007	For the year ended December 31, 2006
a)	Travelling	270,519	284,835
b)	Others	107,001	90,077
	Total	377,520	374,912

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

Description	For the year ended December 31, 2007	For the year ended December 31, 2006
Amount of Dividend (Net of Taxes) (Rs. '000)	60,569	58,207
Pertaining to Financial Year	2006	2005
Number of non-resident shareholders	116	92
Number of shares held	7,297,040	7,275,848

17. Earnings in Foreign Currency :

(Rs. '000)

Description	For the year ended December 31, 2007	For the year ended December 31, 2006
FOB Value of Exports	485,500	557,801
Deemed Exports	–	7,942
Services	1,352,412	1,031,468
Reimbursements	383,532	346,683
Total	2,221,444	1,943,894

18. Contracts in Progress :

(Rs. '000)

Particulars	For the year ended December 31, 2007	For the year ended December 31, 2006
A) Aggregate amount recognized as Contract Revenue	5,312,442	3,797,457
B) In respect of contracts in progress as on December 31		
i) Aggregate amount of Costs incurred and recognized profits less recognized losses up to December 31	11,025,538	8,003,705
ii) Amount of Customer Advances received	144,525	194,303
iii) Amount of retentions	112,342	544,034
C) Gross amount due from customers for contract work	1,022,982	736,219
D) Gross amount due to customers for contract work	301,132	126,746

19. Disclosure as required by AS 29 – Provisions:

(Rs. '000)

	Disputed Statutory Matters	Warranty [Refer Note 1(i)]	Future Loss [Refer Note 1(i)]	Total
Opening Balance	43,683	92,625	23,557	159,865
Additions	40,500	135,761	32,042	208,303
Utilisation	–	57,239	–	57,239
Reversals	2,500	–	23,557	26,057
Closing Balance	81,683	171,147	32,042	284,872

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.

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

The Accounting Standard – 15 (Revised 2005) on “Employee Benefits” issued by the Institute of Chartered Accountants of India has been adopted by the Company effective from January 1, 2007. In accordance with the above Standard, the additional obligations of the Company, on account of employee benefits, based on independent actuarial valuation, amounting to Rs. 607 ('000) [net of deferred tax of Rs. 313 ('000)] have been accounted by debiting the opening balance of the General Reserve as on January 1, 2007 as per the transitional provisions of AS 15 (Revised 2005).

(A) Defined Contribution Plans :

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

(Rs. '000)

	For the year ended December 31, 2007
(i) Contribution to Employees' Provident Fund	19,566
(ii) Contribution to Employees' Family Pension Fund	12,814
(iii) Contribution to Employees' Superannuation Fund	11,393
Total	43,773

(B) Defined Benefit Plans :

- Changes in the Present Value of Obligation

(Rs. '000)

	For the Year Ended December 31, 2007		
	Gratuity	Leave Encashment	Total
(a) Present Value of Obligation as at January 1, 2007	43,070	27,484	70,554
(b) Interest Cost	3,359	2,144	5,503
(c) Past Service Cost	–	–	–
(d) Current Service Cost	12,291	10,130	22,421
(e) Curtailment Cost/(Credit)	–	–	–
(f) Settlement Cost/(Credit)	–	–	–
(g) Benefits Paid	(5,732)	(6,186)	(11,918)
(h) Actuarial (Gain)/Loss	17,035	20,277	37,312
(i) Present Value of Obligation as at December 31, 2007	70,023	53,849	123,872

(ii) Changes in the Fair value of Plan Assets

(Rs.'000)

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

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

(Rs. '000)

		For the Year Ended December 31, 2007		
		Gratuity	Leave Encashment	Total
(a)	Present Value of Funded Obligation as at Dec 31, 2007	70,023	–	70,023
(b)	Fair Value of Plan Assets as at Dec 31, 2007	48,219	–	48,219
(c)	Present Value of Unfunded Obligation as at Dec 31, 2007	–	53,849	53,849
(d)	Net Liability recognised in the Balance Sheet	21,804	53,849	75,653

(iv) Expenses recognised in the Profit and Loss Account

(Rs. '000)

		For the Year Ended December 31, 2007		
		Gratuity	Leave Encashment	Total
(a)	Current Service Cost	12,291	10,130	22,421
(b)	Past Service Cost	–	–	–
(c)	Interest Cost	3,359	2,144	5,503
(d)	Expected Return on Plan Assets	(4,229)	–	(4,229)
(e)	Curtailment Cost/(Credit)	–	–	–
(f)	Settlement Cost/(Credit)	–	–	–
(g)	Net actuarial (Gain)/Loss	17,035	20,277	37,312
(h)	Employees' Contribution	–	–	–
(i)	Total Expenses recognised in the Profit and Loss Account	28,456	32,551	61,007

(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at Dec 31, 2007

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

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

(vii) The Actual Return on Plan Assets is as follows

Sr.	Particulars	Rs. '000
(a)	Actual return on plan assets	4,229

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

Particulars	Gratuity	Leave Encashment
(a) Discount Rate	7.80%	7.80%
(b) Expected Rate of Return on Plan Assets	7.50%	7.50%
(c) Salary Escalation Rate - Management Staff	9.00%	9.00%

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

(ix) This being first year of implementation of AS-15 (Revised) previous year figures have not been given.

21. During the current year, the Company has revised its estimated useful lives of all assets (except land). As a result, additional depreciation charge for the current year is Rs. 50,122 ('000). Had the Company followed the same useful lives as per the previous year, the profit before tax for the year would have been Rs. 934,767 ('000) as against the reported figures of Rs. 884,645 ('000).
22. **Impairment of Assets : Accounting Standard 28**
Consequent upon AS 28 – Impairment of assets – being made mandatory by the ICAI with effect from April 1, 2004, the company has carried out an exercise to ascertain the impairment, if any, in the carrying value of fixed assets. There is further impairment in the Product Distribution Rights – SAARC during the year to the extent of Rs.8,769 ('000).
23. Beginning January 1, 2007, the Company has refined its accounting practice for the revenue recognition under the Accounting Standard 7 (AS-7), issued by ICAI. Consequent to this refinement the profit before tax for the year is increased by Rs. 36,000 ('000).
24. Prior year comparatives have been regrouped, reclassified to conform to the current year presentation, wherever applicable.
25. Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 is set out in the Annexure.

Signatures to Schedules 1 to 17 forming part of the Balance Sheet as at December 31, 2007 and the Profit and Loss Account for the year ended December 31, 2007.

For and on behalf of the Board

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

Jack D. Bolick
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Financial Officer

Place: Pune
Date: January 24, 2008

Place: New Delhi
Date: January 24, 2008

**Cash Flow Statement
for the year ended
December 31, 2007**

**Honeywell Automation India Ltd.
Annual Report 2007**

	Year ended December 31, 2007 (Rs. '000)	Year ended December 31, 2006 (Rs. '000)
A Cash Flow From Operating Activities		
Net Profit Before Tax	884,645	776,477
Adjusted for		
Depreciation	141,358	98,161
Interest charged	20,712	21,700
Interest earned	(12,253)	(4,357)
Loss on sale of assets	10,382	9,448
Amortisation of miscellaneous expenditure	-	3,636
Unrealised Exchange (Gain)/ Loss (net) on restatement of foreign currency assets and liabilities	(2,617)	(1,959)
Operating Profit before working capital changes and other adjustments	<u>1,042,227</u>	<u>903,106</u>
Adjustments for		
Trade & other receivables	(1,023,471)	(902,697)
Inventories	(14,033)	(57,777)
Trade & other payables	848,272	971,949
Cash generated from operations	<u>852,995</u>	<u>914,581</u>
Direct taxes paid	(353,992)	(151,649)
NET CASH FROM OPERATING ACTIVITIES	<u>499,003</u>	<u>762,932</u>
B Cash Flow from Investing Activities		
Purchases of fixed assets	(240,101)	(224,278)
Discard of fixed assets	-	5,403
Sale of investments	-	-
Interest Received	11,975	3,361
NET CASH USED IN INVESTING ACTIVITIES	<u>(228,126)</u>	<u>(215,514)</u>
C Cash Flow from Financing Activities		
Borrowings (net of repayments)	2603	(233,338)
Interest Paid	(20,712)	(21,700)
Dividend paid	(100,533)	(80,482)
NET CASH USED IN FINANCING ACTIVITIES	<u>(118,642)</u>	<u>(335,520)</u>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	<u>152,235</u>	<u>211,898</u>
CASH & CASH EQUIVALENTS - OPENING BALANCE	386,270	174,372
CASH & CASH EQUIVALENTS - CLOSING BALANCE	538,505	386,270

NOTES:

- The above Cash Flow statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS) - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Prior year comparatives have been reclassified to confirm with current year's presentation, where applicable.
- The figures in Cash Flow statement are based on or have been derived from the annual financial statements of the Company.
- Figures in brackets represent out flows of cash and cash equivalents.

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

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

Place: Pune
Date: January 24, 2008

For and on behalf of the Board of Directors

Jack D. Bolick
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place: New Delhi
Date: January 24, 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

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 State Code

2	5
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Balance Sheet Date

3	1
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Date Month Year

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

<p>Public Issue</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> <p>Bonus Issue</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>								N	I	L								N	I	L	<p>Rights Issue</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> <p>Private Placement</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>								N	I	L								N	I	L
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III. Position of Mobilisation and Deployment of funds (Amounts in Rs. Thousand)

<p>Total Liabilities (Including Shareholders' Funds)</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td>2</td><td>4</td><td>7</td><td>1</td><td>4</td><td>4</td><td>8</td></tr></table> <p>Sources of Funds</p> <p>Paid-up Capital</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>8</td><td>8</td><td>4</td><td>1</td><td>5</td></tr></table> <p>Secured Loans</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>9</td><td>6</td><td>7</td><td>0</td></tr></table> <p>Application of Funds</p> <p>Net Fixed Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>6</td><td>0</td><td>8</td><td>8</td><td>2</td><td>3</td></tr></table> <p>Net Current Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>7</td><td>0</td><td>5</td><td>4</td><td>5</td><td>0</td></tr></table> <p>Accumulated Losses</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>			2	4	7	1	4	4	8					8	8	4	1	5					1	9	6	7	0					6	0	8	8	2	3					1	7	0	5	4	5	0									N	I	L	<p>Total Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td>2</td><td>4</td><td>7</td><td>1</td><td>4</td><td>4</td><td>8</td></tr></table> <p>Reserves & Surplus</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td>2</td><td>2</td><td>5</td><td>5</td><td>0</td><td>8</td><td>0</td></tr></table> <p>Unsecured Loans</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>0</td><td>8</td><td>2</td><td>8</td><td>3</td></tr></table> <p>Investments</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> <p>Misc. Expenditure</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> <p>Deferrred Tax Asset</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>5</td><td>7</td><td>1</td><td>7</td><td>5</td></tr></table>			2	4	7	1	4	4	8			2	2	5	5	0	8	0					1	0	8	2	8	3								N	I	L								N	I	L					1	5	7	1	7	5
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IV. Performance of Company (Amount in Rs. Thousands)

<p>Turnover</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td>8</td><td>7</td><td>1</td><td>7</td><td>7</td><td>9</td><td>7</td></tr></table> <p>+ - Profit/Loss Before Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>+</td><td> </td><td>8</td><td>8</td><td>4</td><td>6</td><td>4</td><td>5</td></tr></table> <p>(Please tick appropriate box + for profit - for loss)</p> <p>Earning per share in Rs.</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>7</td><td>3</td><td>.</td><td>6</td><td>2</td></tr></table>			8	7	1	7	7	9	7	+		8	8	4	6	4	5					7	3	.	6	2	<p>Total Expenditure</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td>7</td><td>8</td><td>3</td><td>3</td><td>1</td><td>5</td><td>2</td></tr></table> <p>+ - Profit/Loss After Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>+</td><td> </td><td>6</td><td>5</td><td>0</td><td>8</td><td>7</td><td>3</td></tr></table> <p>Dividend (in %) - Equity</p> <table border="1" style="width: 100%; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>0</td><td>0</td><td>.</td><td>0</td><td>0</td></tr></table>			7	8	3	3	1	5	2	+		6	5	0	8	7	3					1	0	0	.	0	0
		8	7	1	7	7	9	7																																														
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+		6	5	0	8	7	3																																															
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V. Generic names of three principal products/services of company (as per monetary terms)

Item Code (ITC Code)

9	0	3	2	8	9	.	0	4
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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
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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
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Product Description

S	M	A	R	T		T	R	A	N	S	M	I	T	T	E	R	S				
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Jack D. Bolick
Chairman

Vimal Kapur
Managing Director

Sneha Padve
Company Secretary

Atul Pai
Chief Finance Officer

Place: New Delhi
Date: January 24, 2008

Company's Philosophy on the Code of Governance

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

Board of Directors

Composition:

The Board comprises of 2 Directors nominated by Honeywell, 2 Independent Directors, an Executive Director and a Managing Director. The Company has a Non-Executive Chairman and one-third of the total number of Directors are Independent Directors [as per Clause 49(l)(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 Meeting and Rs. 10,000/- for Investor Grievance Committee Meetings attended by the Non-Executive Directors is paid to them [as per Clause 49(l)(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(l)(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, 2007 and the gap between two meetings did not exceed four months:

3rd February 2007 12th April 2007 30th July 2007 19th October 2007

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, 2007 are given below:

Name	Category	No. of Board meetings attended during 2007	Attendance at the last AGM held on April 13, 2007	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Jack D. Bolick* (Chairman)	Promoter Not Independent Non-Executive	1	No	Nil	Nil	Nil
Mr. John Ellis	Promoter Not Independent Non-Executive	2	Yes	Nil	Nil	Nil
Mr. Gerard Willis	Promoter Not Independent Non-Executive	3	No	1	Nil	Nil
Mr. Harshavardhan Chitale Vice-Chairman	Executive Director	3	Yes	Nil	Nil	Nil
Mr. Vimal Kapur Managing Director	Executive Director	4	Yes	Nil	Nil	Nil
Mr. M.N. Bhagwat	Independent Non-Executive	3	Yes	5	3	1
Mr. S.L. Rao	Independent Non-Executive	4	Yes	5	4	6

*Mr. Jack D. Bolick was appointed on 15/6/2007 in place of Mr. John Ellis, who retired from Honeywell.

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

The terms of reference of the Audit Committee as stipulated by the Board are in accordance with 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, 2007:

February 2, 2007 April 12, 2007 July 30, 2007 October 19, 2007

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. F. Willis	4	3
Mr. M. N. Bhagwat	4	3

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

Remuneration Committee :

The Company had constituted the Remuneration Committee in line with the requirements of Clause 49 of the Listing Agreement. The broad terms of reference are to determine and recommend to the Board, compensation payable and appraisal of the Managing Director and Executive 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. Jack Bolick	Member-Promoter, Not Independent, Non-Executive Director

The Committee met on January 24, 2008, to appraise and decide the compensation payable of the Managing and Executive Director.

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

Given below are the details of Remuneration paid to Non-Executive Directors for the year January to December 2007 for attending Board Meetings and various Board constituted Committee Meetings.

Non-Executive Directors :

(Rs. in '000)

Director	Sitting Fees (Rs.)	Commission (Rs.)	Shareholding (Nos.)
Mr. M.N. Bhagwat	150	1,000	700
Mr. S.L. Rao	180	1,000	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 (Rs.)	Commission for the year 2007 (Rs.)
Mr. Vimal Kapur	4,060	2,762

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

Executive Director :

(Rs. in '000)

Name	Salary & Allowances (Rs.)	Commission for the year 2007 (Rs.)
Mr. Harshavardhan Chitale	10,865	–

Period of Contract of ED : 3 years from November 1, 2006
The Contract may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.
Severance fees - Nil

Shareholders'/Investors' Grievance Committee :

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

Mr. M.N. Bhagwat	–	Chairman, Independent Non-Executive Director
Mr. Harshavardhan Chitale	–	Member, Executive Director

The Committee met on 19th October 2007 during the last financial year.

Name, designation & address of Compliance Officer : Mrs. Sneha Padve
Company Secretary,
56&57, Hadapsar Indl. Est., Pune 411 013
Phone : 020-66039505
Fax No.:020-66039800

No. of queries received from the investors from 1.1.2007 to 31.12.2007 comprising of Non-receipt of Dividend Warrants, Non-receipt of securities sent for transfer, Demat etc. 84
No. not solved to the satisfaction of the investor as on 31.12.2007. 0
No. of pending share transfers as on 31.12.2007 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 – 26.04.2005, 21.04.2006 and 13.04.2007
AGM held on 26.04.2005 was held at *Hotel Blue Diamond, Koregaon Park, Pune 411 001 at 3.30 p.m.*
AGM held on 21.04.2006 was held at *Hotel Le Meridien, RBM Road, Pune 411 001 at 3.30 p.m.*
AGM held on 13.04.2007 was held at *Hotel Le Meridien, RBM Road, Pune 411 001 at 11.00 a.m.*

Whether Special Resolutions passed in the last 3 AGMs : Yes

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

Whether Special Resolutions :

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

Disclosures

Related Party Transactions :

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

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

All transactions covered under the related party transactions are regularly ratified and/or approved by the Board. There were no material transactions during the year 2007 that are prejudicial to the interest of the Company.

Risk Management:

Our risk management procedures ensures that the Management controls risks through means of a properly defined framework.

Statutory Compliance, Penalties and Strictures :

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

Statutory Compliance :

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

Whistle Blower Policy :

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

Code of Conduct :

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

Compliance with Clause 49 :

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

1. **The Board:** The Chairman of the Board is based at US.
2. **Remuneration Committee:** This committee has been constituted and is responsible for all payments to be made to the Directors.
3. **Shareholder Rights:** The Company publishes the financial results in two newspapers and also uploads them in the SEBI's (EDIFAR) website. Therefore, no individual intimations are sent to the shareholders.
4. **Audit Qualifications:** The Company does not have a history of audit qualifications.
5. **Training of Board Members:** All Board members have been grounded in the way the business operates through detailed planning meetings and other such activities.
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
www.honeywellautomationindia.com

Any website, where displayed

Whether it also displays official news

Releases; and the presentations

Yes

Made to institutional investors/analysts

Whether MD&A is a part of Annual

Report or not :

Yes

General Shareholder Information

AGM: Date, time and venue -

April 9, 2008 at 2.30 p.m. at the

Hotel Taj Blue Diamond, 11, Koregaon Road, Pune 411 001.

As required under clause 49 VI (A), particulars of Directors seeking reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on April 9, 2008.

Financial Calendar -

Year ending	December 31
AGM	April 9, 2008
Dividend Payment	April 17, 2008

Date of Book Closure -

Thursday, March 27, 2008 to Thursday, April 3, 2008
(Both days inclusive)

Dividend Payment Date -

The Dividend Warrants will be posted on
April 17, 2008

Listing on Stock Exchanges -

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

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

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

The Company had paid annual listing fees to each of the above Exchanges for the financial year 2007-08.

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

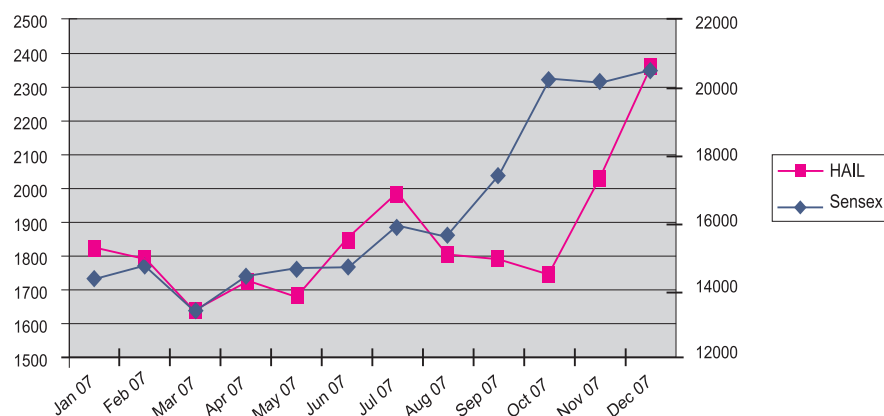
Market Price Data – BSE

	The Bombay Stock Exchange Ltd., Mumbai (in Rs.)			
	High	Low	Avg. Volume per day (No. of shares)	Avg. No. of Trades per day
January 2007	1900.00	1625.00	1973	90
February 2007	1921.00	1605.10	1878	90
March 2007	1760.00	1486.05	3534	66
April 2007	1912.90	1602.00	2462	129
May 2007	1770.00	1526.00	1492	75
June 2007	2174.90	1665.10	2699	155
July 2007	2190.00	1720.10	1852	132
August 2007	1900.00	1610.15	1969	65
September 2007	1950.00	1683.10	1465	57
October 2007	2198.00	1500.00	4343	363
November 2007	2250.00	1760.05	4508	477
December 2007	2600.00	2005.00	4846	431

Market Price Data – NSE

	The National Stock Exchange of India Ltd., Mumbai (in Rs.)			
	High	Low	Avg. Volume per day (No. of shares)	Avg. No. of Trades per day
January 2007	1,825	1768	1798	33
February 2007	1,793	1719	1566	28
March 2007	1,637	1556	3184	52
April 2007	1,725	1650	2003	34
May 2007	1,683	1634	1302	22
June 2007	1,849	1778	2267	44
July 2007	1,990	1925	1330	26
August 2007	1,808	1718	1217	21
September 2007	1,790	1723	818	14
October 2007	1,747	1657	2385	44
November 2007	2,033	1897	2423	49
December 2007	2,364	2166	4821	108

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



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

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

Distribution of Shareholding:

Number of Ordinary Shares held	Number of Shares	
	31-12-2007 (%)	31-12-2006 (%)
1 to 500	8.99	9.13
501 to 1000	1.08	1.30
1001 to 2000	1.17	1.13
2001 to 3000	0.35	0.51
3001 to 4000	0.59	0.32
4001 to 5000	0.22	0.43
5001 to 10000	1.40	1.70
Over 10000	86.20	85.48
Total	100.00	100.00

Categories of Shareholders:

Category	No. of shareholders	No. of shares held
Foreign Promoters	1	7182475
Non Resident Individuals	111	30005
Foreign Institutional Investors	5	30436
Banks	1	90
Mutual Funds	11	257901
Insurance Companies	1	14000
Central Government / State Governments(s)	1	285
Domestic Companies	521	155988
Resident Individuals	9766	1164127
Trust & Charitable Institutions	4	6216
	10422	8841523

Dematerialisation of shares and liquidity : The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. 97.80 % of the Company's share capital is dematerialised as on 31.12.2007.

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

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

Plant locations : 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 of Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the financial year 2007.

For Honeywell Automation India Limited

New Delhi, January 24, 2008

Vimal Kapur
Managing Director

Auditors' Report on Corporate Governance

To the Members of
HONEYWELL AUTOMATION INDIA LIMITED

We have examined the compliances of the conditions of Corporate Governance by Honeywell Automation India Limited for the year ended December 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Grievance Committee.

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

Place : Pune
Date : January 24, 2008

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

HONEYWELL AUTOMATION INDIA LIMITED

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

ATTENDANCE SLIP

I hereby record, my presence at the TWENTY FOURTH ANNUAL GENERAL MEETING of the Company at Hotel Taj Blue Diamond, 11, Koregaon Road, Pune 411 011. at 2.30 p.m. on Wednesday, April 9, 2008.

NAME OF SHAREHOLDER/PROXY

FOLIO NO. _____

NO. OF SHARES HELD _____

SIGNATURE OF THE
ATTENDING MEMBER/PROXY

NOTES :

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

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

HONEYWELL AUTOMATION INDIA LIMITED

PROXY

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

I/We

Of _____ in the district of being

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

of _____ in the district of or

failing him, _____ of _____ as

my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Fourth Annual General Meeting of the Company at Hotel Taj Blue Diamond, 11, Koregaon Road, Pune 411 011 at 2.30 p.m. on Wednesday, April 9, 2008. and at any adjournment thereof.

Signed this _____ day of _____ 2008.

Signature Shareholder

Affix
Revenue
Stamp

Reference Folio No.

No of shares held

This form is to be used * in favour of _____ the resolution. Unless otherwise instructed the proxy will act as he thinks fit.
* against _____

* strike out whichever is not desired.

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