

40th Annual General Meeting of Honeywell Automation India Limited
Held on August 5, 2024

- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Dear shareholders, good afternoon. I'm Dr. Ganesh Natarajan, Independent Director and Non-Executive Chairman of the Board and Chairman of the Audit Committee. I'm attending this meeting through video conference from Pune. I welcome and thank you all for joining the 40th Annual General Meeting of our Company. This Annual General Meeting is being held through video conference in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI Listing Regulations.
- The Company Secretary informs me that the members present form the necessary quorum and the meeting is properly constituted, I therefore call the meeting to order.
- Before I proceed further, I would like to invite all the Directors who have joined this meeting through video conference to introduce themselves and also confirm the location from where they are attending this meeting.
- I would now request the Directors to introduce themselves.
- Ms. Neera Saggi.
- **Ms. Neera Saggi - Independent Director, Honeywell Automation India Limited:**
- I'm Neera Saggi, Independent Director and Chairperson of the Nomination and Remuneration Committee. I'm attending this meeting through video conferencing from Pune. Thank you.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Neera.
- Mr. Ashish Modi.
- **Mr. Ashish Modi - Non-Executive Director, Honeywell Automation India Limited:**
- Good afternoon. I'm Ashish Modi, Non-Executive Director and Chairman of the Stakeholders Relationship Committee. I'm attending this meeting through video conference from Pune. Thank you.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Ashish.
- Mr. Brian Rudick.

- **Mr. Brian Rudick - Non-Executive Director, Honeywell Automation India Limited:**
 - Afternoon. I'm Brian Rudick, Non-Executive Director of the company. I'm attending this meeting through video conference from Pune. Thank you.
 - **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
 - Thank you, Brian.
 - Mr. Thaj Mathew.
 - **Mr. Thaj Mathew - Non-Executive Director, Honeywell Automation India Limited:**
 - I am Thaj Mathew, Non-Executive Director of the company. I'm attending this meeting through video conference from Pune. Thank you.
 - **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
 - Thank you, Thaj.
 - With me present here are –
 - Mr. Atul Pai, Managing Director and Chairman of the Corporate Social Responsibility Committee and the Risk Management Committee.
 - Mr. Pulkit Goyal, Chief Financial Officer of the Company.
 - Ms. Indu Daryani, Company Secretary.
 - I also welcome –
 - The representatives of our Statutory Auditors - Deloitte Haskins & Sells LLP.
 - The Secretarial Auditors - J.B. Bhave & Co., Company Secretaries.
 - Internal Audit Head and
 - Scrutinizers for the AGM.
- who have joined this meeting through video conference from their respective offices or residents.
- Also, on behalf of the Board, I would like to place on record the appreciation of the valuable contribution made by Mr. Ashish Gaikwad, Managing Director of the company, during his tenure with the company.
 - I hereby request the Company Secretary to familiarize you with some of the general instructions as regard participation and Evoting at this meeting.
 - **Ms. Indu Daryani - Company Secretary, Honeywell Automation India Limited:**
 - Thank you, Sir.

- Good afternoon all and welcome to the 40th Annual General Meeting of Honeywell Automation India Limited. This meeting is being conducted virtually without presence of members in person in accordance with the applicable provisions of the Companies Act, 2013 and the SEBI Listing Regulations.
- Please note that the requirement of appointment of proxies is, therefore, not applicable.
- Electronic copies of the Register of Directors and Key Managerial Person and their shareholding as maintained under Section 170 of the Companies Act, 2013; the Register of Contracts or Arrangements in which the directors are interested as maintained under Section 189 of the Companies Act, 2013; and other relevant documents referred to in the notice of this Annual General Meeting have been made available for inspection by members during the meeting.
- Further, there would not be any proposing and seconding of the resolutions.
- Ms. Amruta Rajarshi of M/s. Bokil Punde & Associates, Company Secretaries, has been appointed as scrutinizer for the remote Evoting and Evoting to be conducted at the AGM.
- While most of you are aware on participation and Evoting process at the Annual General Meetings through video conference, I would like to briefly explain the technical aspects.
 - The facility to join this meeting is made available to the members on first come first serve basis.
 - All members who have joined this meeting are by default kept on mute and their videos are turned off by the host to avoid any disturbance.
 - Once the Q&A session begins, the Chairman will sequentially announce name of registered speaker shareholders.
 - When the Chairman calls out the name of the speaker shareholder, microphone facility for the speaker will be unmuted by the host.
 - The speaker shareholder is requested to turn on their video and start speaking after mentioning their name and joining location.
 - If the speaker shareholder is unable to turn on the video for any reason, they may continue speaking through audio mode.
 - If there is any connectivity problem at the speaker's end, we will move to the next speaker shareholder. The earlier speaker will be requested to speak after other pre-registered speakers complete their turn.
 - We request the speaker shareholders to be brief and specific to the business of the meeting and to limit their speech to 3 minutes.
 - In case any of the questions get answered during the course of the presentation by the company, you are requested to please exclude asking these again.
 - Members of the company as on the cutoff date of Monday, July 29th have been given opportunity to cast their vote by way of remote Evoting.
 - The remote Evoting period commenced on Thursday, August 1, 2024 at 9 a.m. IST and ended on Sunday, August 4, 2024 at 5 p.m. IST.
 - Members who have not cast their vote by remote Evoting can cast the vote at the meeting.
 - The Evoting window is open during the meeting and will also be available for another 15 minutes towards the end of the meeting.

- Members who have cast their vote during the remote Evoting period can participate at the meeting but cannot vote again.
- I now request Dr. Ganesh to take forward proceedings of the meeting.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Indu.
- Since the notice convening the Annual General Meeting has been circulated to the shareholders, I take the same as received and read.
- The Statutory Auditors of the company - Deloitte Haskins & Sells LLP and the Secretarial Auditors of the company – Jayavant B. Bhave of J.B. Bhave & Co., Company Secretaries have submitted their respective reports for the financial year ended 31st March 2024. There are no qualifications, reservations or adverse remarks in their respective reports.
- The Annual Report of the Company has been published and is available on the respective websites of the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited, NSDL and the company. I take these reports as read.
- The last fiscal year brought a mix of opportunities and challenges for India. Despite global uncertainties, the country showcased remarkable resilience as the fastest growing major economy worldwide. India's GDP expanded by 8.2% in FY2023-24, surpassing the previous year's growth. Projections for FY2024-25 indicate a GDP growth of 6.5%-7%. The Indian government's strategic investments and policy interventions are bolstering key sectors ensuring sustained long-term growth. The Indian economy's robust fundamentals continue to support its growth trajectory and your Company has also benefited from these leading to a good financial performance. Our journey embodies resilience, innovation and an unwavering commitment to excellence.
- The company's business is well aligned with the mega trend of automation underpinned by digitalization and sustainability. Your Company is dedicated to playing a lead role in the country's transformation to a sustainable future which is also exhibited in our commitment to achieving carbon neutrality across all its facilities and operations by 2035. Digital transformation also remains at the front and center of the strategic priorities of the company leveraging its expertise in process control, cybersecurity and managing performance to optimize operations, enhance remote visibility and drive safety, reliability and efficiency.
- The company has Honeywell Accelerator as its operating system for governing and managing our businesses which contains all the best practices, tools and digital platforms to deliver best-in-class performance and enhance the way we manage, govern and operate our business day to day.
- The company's corporate social responsibility initiatives, environmental efforts and ethical corporate governance are centered on fulfilling its environmental, social and governance (ESG) responsibilities. Significant contributions have been made in providing sustainable

solutions in healthcare, education, rural infrastructure and community development with a commitment to further impact people, families and communities served.

- The company's ongoing investments in state-of-the-art facilities, leading technologies and skilled personnel enable the delivery of superior products, projects and services that meet quality standards and exceed customer expectations.
- I now request Mr. Atul Pai, Managing Director, to present the company's operations and performance for FY2023-24.
- **Mr. Atul Pai – Managing Director, Honeywell Automation India Limited:**
- Thank you, Dr. Ganesh.
- At the outset, I would like to thank the Board and all the stakeholders for choosing me to lead this fantastic company.
- I would also take the opportunity to thank and congratulate Ashish Gaikwad for setting a strong legacy of outperformance and a platform to fuel growth in the years to come.
- I'm particularly excited with our company's strategic priorities and the country's mega trends of energy transition, urbanization, infrastructure development, safety, security and efficiency all underpinned by automation and digitalization across the asset class.
- I started nearly 23 years ago in this company and had the privilege of taking multiple roles across Honeywell Group globally. I'm confident that our collective effort with the help of sustainable growth on the backbone of Honeywell Accelerator framework and the superlative talent base.
- I take this opportunity to briefly present last year's financial performance. Can we move to the next slide, please?
- So, Honeywell Automation India Limited's strategic priorities are broadly driving and focusing on organic growth, automation in Asset efficiency and energy transition and that's enabled by capitalizing on the digital trends of software and digitization that's happening across the industry.
- Can we move to the next slide, please?
- We start our meeting with safety, which is a core part of our behavior and culture. We have our safety commitment to all our key stakeholders, employees, customers, contractors and overall, our society from an Environment, Health and Safety perspective. We measure our safety performance on a common balance score card. And as you can see, we have consistently exceeded the target of 1.8 on a balance scorecard basis scoring around 1.9 and we will strive to score a perfect 2 in the near future.
- We have been recognized by our key customers across the industry for our safe performance at customer sites, in some cases which are very hazardous. Some of the pictures that you see are broader participation of our employee base in our safety, our

Environment Day and other campaigns that are overall keeping our safety performance up to scale.

- Moving on to the next slide. We are equally proud of our Corporate Social Responsibility obligation that we have been focusing on. Amongst the Sustainable Development Goals, there are three key goals that we have decided to focus on over the past many years. Holistic Rural Development including Community Development, Education, Skill and Research largely focusing around girls education in science and Environmental with respect to planting trees as our 'Plant our Future' campaign. Overall, we have spent around ₹11 crores in this impactful initiative meeting our social responsibility goals.
- Moving on to the next slide, please. HAIL continues to be recognized across the industry for multiple initiatives. We were recognized in 2023 by the Bhubaneswar Smart City Corporation for our work in the Bhubaneswar Smart City Project. We were also recognized for our manufacturing excellence amongst U.S. companies in India. We were recognized by Microsoft for safe execution on some of the data center sites. And lastly but most importantly, our Finance team were recognized for their transformation work that is being done in finance from a leadership perspective.
- Moving on to the next slide, I would love to give some business updates for FY23-24. The key economic indicators that we track as a measure to assess overall economic environment, I will give a quick perspective on that with respect to Honeywell's FY23-24 performance.
 - As we have seen, the GDP has been in the high single digit between 8.7% from 2021 to around 6.7%. The range is in the similar range as we see. We have always maintained that. Our aspiration is to grow 2X the GDP. Historically, we have grown 1.5X the GDP.
 - The Fiscal Deficit is an important factor which basically, you know, helps us to measure the commitment that the government would be making for investments in infrastructure, urbanization which is basically leading to capital good industry, which is what we participated.
 - Inflation, again, is an important element because it has a direct impact on our pricing and our costs to a large extent given the fact that most of our cost is also in foreign exchange.
 - The PMI is a good indicator for us where we are able to measure the capital goods in private sector for the past many years and that's generally been positive in the near past.
 - And the price of the oil while is an indicator, it helps us and sometimes as a headwind. If higher price of oil, would reflect lower refining margins but would also reflect a steady price. That would be the investment in Oil & Gas. At the same time, we also know that being an oil dependent economy higher price would increase fiscal deficit and thereby reduce government spending on some of the social or infrastructural investments that they do. So, Oil price does impact us both positively and negatively.
- Overall, the strong GDP expansion will continue to support our growth.
- Moving on to the next slide. I'm particularly proud to explain some of the key wins and these wins are both in terms of our core offerings for the past many years as well as offerings in new industries where a lot of investment dollars or rupees are being spent.

- We are proud to announce that we successfully implemented an automation solution in an indigenously built Green Hydrogen plant. We see a lot of investment happening in airport modernization.
 - We were proud to announce that we deployed a Honeywell Advanced Visual Guidance Docking System at a leading airport in India.
 - Renewable energy is an important element of our sustainability solutions. Renewable energy is possible only if you have a good load management and battery energy storage system to ensure that there is energy available when the conventional source of energy is not available. We deployed this project at Lakshadweep that was inaugurated by our honorable Prime Minister.
 - Most recently, we won an Integrated Building Management System for safety, security and access control for the new generation Giga factory manufacturing, Lithium-ion batteries in the country.
 - The upgradation of distributed control systems at the thermal plant is an important element of our core business platform and offering that we have been successful in the past.
 - And lastly and most importantly, we also won an implementing a Building Management System for the upcoming Pharma growth in the country with respect to Life Sciences for a leading Life Science manufacturer.
- So, overall, the portfolio of the wins reflects a good pivot towards automation in emerging industries where investments are coming in.
 - Moving on to the next slide. For FY2023-24, our financial performance. We recorded a revenue of more than ₹4000 crores, ₹4582 crores to be precise, which reflects 18% growth year-on-year. The Profit After Tax was a 14% growth year-on-year and the Net Worth increased by 13% year-on-year. The cashflow from operations grew 5% year-on-year. Our target is to generally cover 100% of profit into cash. This year we converted 80% of profit into cash, the remaining 20% getting deployed into working capital to fund organic growth.
 - Next slide, please. Based on the strong financial performance, the company continues to improve its dividend per share and the dividend payout ratio. The final dividend of ₹100 per equity share was recommended by the Board of Directors for FY23-24 which in the previous years was ₹95. Consistently improving the dividend payout is a goal that we will continue to achieve supported by the strong financial results.
 - Moving on to the next slide. As explained, our goal is to target 2X the GDP for revenue growth. We will acknowledge that over the past whatever two decades, our growth has been around 11.5% which is approximately 1.5X the GDP at that time. With the domestic industry growing faster, in the near term we are pretty confident that we will be achieving towards the 2X GDP growth target. There have always been questions around the revenue mix and our revenue mix with respect to both domestic and exports. Both are growing. While the mix would change depending upon whether we are winning in the domestic markets or whether the export markets for that matter. As we also know, the domestic markets have got sometimes big projects and that growth may not necessarily always be linear. To the extent of service, the growth is linear. Our growth in our export market for the same corresponding period has been 16% and our growth in our domestic market over the corresponding period has been 10%. Basically, both are growing faster than the GDP rate.

- Can you move on to the next slide, please? While we continue to grow, we also are mindful that our profit needs to exceed our growth rates. Our growth rates were at 11% but our profit growth was at 15%. And to ensure that the profit is converted into cash, our cash performance has been in the range of 75% of Net Profit and the balance profit getting into working capital to fund the growth that we have seen. Most of the working capital is required for large domestic projects where those projects run into multi years. Overall, there is sustained growth in profit and cashflow from operations over the past many years.
- Moving on to the next slide. While we will pivot to the questions that the shareholders would have to ask; and I do thank you for submitting them in advance; I would particularly like to talk about a section of questions that are very common across the shareholder base which is the Honeywell growth strategy.
- If we can go to the next slide.
 - So, the Honeywell Automation India's growth strategy is aligned to the portfolio of Honeywell with respect to automation, which is the mega trend, which is part of the industrial and the building automation SBGs of Global Honeywell.
 - The HAIL portfolio consists of System Integration in Process and Building Solution plus distribution of specific Building Management Systems and specific Sensing Solution Systems. All of this has been regularly updated as a part of our Management Disclosure and Analysis which is part of the Annual General Report that is submitted.
 - The geographic coverage for Honeywell Automation India is India as a geography and exports to Honeywell subsidiaries worldwide. Our growth strategy is particularly around creating an install base of an asset class so that we get lifecycle value for annuity plus all organic growth initiatives associated with such install base.
 - The Aerospace technologies and the Energy and Sustainability solutions, which are the molecular piece of energy transition, are separate portfolios of Honeywell Inc.
- Overall, the Honeywell Automation India Limited has a very focused portfolio aligned to the India automation mega trend.
- With this, I thank you and hand over to the Chairman.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Atul, for the presentation.
- I would now like to open the floor for members who have registered themselves as speakers to pose their questions. We would request speaker shareholders to keep their questions brief and specific to the business of the meeting and to limit their speech up to 3 minutes.
- Can we start with Mr. Jonas Bhutta, representative of Aditya Birla Mutual Fund, please.
- **Moderator:**
- Mr. Jonas, you are unmuted. Please turn on your video and ask your question.

- **Mr. Jonas Bhutta – Shareholder:**

- Hi, gentlemen, and thank you for the opportunity. At the outset, I just want to congratulate the management team of HAIL on the wonderful illustrations that you've given this time around in the Annual Report that better helps understand the various business and applications that the company has and that's a welcome change. I'll jump directly to the question. So, first on the domestic side, you know, while Oil & Gas has historically been a major end market for the company, can you please elaborate on other segments where the company has a dominant Market Share? For the last three annual reports we've noticed Life Science is one such example. Would appreciate if we can sort of delve a little bit more in our Q&A session on segments such as Steel, Cement and Renewable Power because these are segments that we believe are going to see very strong growth in terms of capital expenditure and how is HAIL sort of positioned there in terms of either market share or offerings. Any clarity on that would help.
- The other bit on the domestic side was that, you know, one thing that is missing in terms of mention is data centers as an end market. You know, while many other capital, good companies seem to be highlighting this as a mega trend, would want to hear views of the management team as to how is HAIL positioned here in this end market.
- As far as exports is concerned, growth rates in exports have been declining for the past five years. The share of exports has declined from 44% of sales in FY20 to roughly 40% in the last financial year. So, can you please highlight the reasons for the same and provide a general outlook individually for the services bit and the contract manufacturing bit?
- The other question on exports was, we noticed that the related party sales transactions with Middle Eastern subsidiaries of the Group have increased in FY24. If you can touch upon whether this is reflective of the ongoing CapEx in the Middle East, particularly Saudi Arabia? And given that that CapEx is likely to continue for the next few years, will this be captured in the listed entity in HAIL or is there any other group entity in the region that sort of tends to capture this opportunity?
- The last bit of my questions are on financials of the company. So, I would appreciate if you can share the localization levels achieved by HAIL over the past five years. What are the few initiatives, if you can sort of anecdotally let us know in terms of localization, in terms of capability or products?
- The second bit on financials was, would really appreciate if we mention what our orderbook is. Last two annual reports at least mention the growth rates in annual reports while not mentioning the absolute amount, this annual report makes no such mention. You know, this is like a guiding light for outsiders like us, who sort of, can then at least know what the likely growth rates is we can assume in sales over the next 12 months depending on the orderbook growth. So, that would probably be appreciated if we can share that.
- And, lastly, the company reported its Q1 results just today and there was an adjustment of roughly 65 crores that was mentioned in the notes to accounts. So, if Pulkit can sort of give some more granular details what led to that change in accounting and what is the likely implication of that.

- Yeah, I'll stop here for me and get the answers from the management. Thanks.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Mr. Bhutta. Can I now move to Mr. Bhalchandra Shinde, representing Kotak Mahindra Life Insurance, please?
- **Moderator:**
- Mr. Bhalchandra Shinde, you are unmuted. Please turn on your video and ask your questions.
- **Mr. Bhalchandra Shinde – Shareholder:**
- Yeah. Good Evening, Sir. Sir, regarding external orderbook wise, would like to know what kind of a growth YoY basis wise we are seeing? And on the margins front also, relatively our margins have been volatile over the last 2-3 years. Before COVID our margins were stable and improving significantly but post COVID our margins have always been lower. Is it largely because of the project-product mix wise? And we had one large order in Bengaluru, was it because of that order execution which was impacting our profitability? And how much we are yet to execute that order and what kind of a mix we see year onwards also on the project to product mix?
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Mr. Shinde. Can I move to Mr. Sagar Gandhi, representative of the Invesco Mutual Fund?
- **Moderator:**
- Mr. Gandhi, you are unmuted. Please turn on your video and ask your question.
- **Mr. Sagar Gandhi – Shareholder:**
- Yeah, am I audible? Hi.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Yes, you are.
- **Mr. Sagar Gandhi – Shareholder:**
- Yeah. Good afternoon, gentlemen. So, my question pertains to our disclosures in the Annual Report. So, we segment our revenue into three broad areas. First is manufactured goods, second is traded products and third is sales of services. So, while we've seen that the share of traded products have gone up from 12.5% of top line to around 19% of top line in...I mean, 12% in FY17 to 19% in FY24, how do we see this mix changing? Or why

is it that proportion of traded goods have subsequently moved up year after year impacting our margins? So, how is this mix likely to change over the next few years? And because this increase in traded goods is coming at the cost of manufacturing this thing, so how do we see our manufacturing activity changing over the next few years? Because our peers in the capital goods space is seeing a lot of activity on the Make-In-India manufacturing side, so how are we placed here? And what is our utilization levels here? And are we also seeing heightened activity like other peers? And do we envisage any CapEx in this side over the next two years?

- Sir, my next is, your parents Honeywell International Inc. aspires to make margins in the range of 25%, so does it come at the cost of global subsidiaries? Or internally also we have some good operating EBITDA margin targets because over the last four years, especially from...I mean, over the last six years our EBITDA margins have been in the range of 16%-16.5% only. So, I mean, do we also intend to go into 20 plus territory like our parent?
- Third is, Sir, if you can highlight some growth areas on the new renewable space and the areas that I've already mentioned, for example, Hydrogen, EVs, Data Centers. What specific solutions you have vis-à-vis competition and how are you differentiated from the competition? And what is the parent support that you are getting on this side? Which new products parents is helping you on this side?
- Yeah, that is it. Thank you, Sir.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Mr. Gandhi. And can we move to Mr. Aniket Mittal, please, representative of the SBI Large and Midcap Fund?
- **Moderator:**
- Mr. Mittal, you are unmuted. Please turn on your video and ask your question.
- **Mr. Aniket Mittal – Shareholder:**
- Yes. Thank you for the opportunity and good evening to the management, Board of Directors and fellow shareholders. I'll just read out my questions now. Firstly, Sir, on the market if you could help us understand what is the market size for process automation and building automation in India? And more importantly, how do you see this market growing over the next 3-5 years and which are the key drivers for the group?
- In terms of the existing market if you could also briefly mention the market share that the Honeywell has within process automation, building automation and how has those market share moved over the past three years.
- Within the market, could you also provide some understanding on the competition intensity? If we look at the FY24 numbers, our overall order growth was 11%, which seems slightly lower than the other listed automation peers. So, if you could talk about the competition intensity in the market currently happening.

- Within the major segments that we are present, if you could provide a broad breakup of revenues between process solutions, building solutions, building management systems and advances in technologies then that would be very helpful. Also, if you could just talk about the mix change that these individual subsegments would have seen.
- Exports form about 40% of our revenue, which has actually seen a decline from about 45% a few years back. I just wanted to understand are there any constraints that we're seeing in terms of capacity of people to cater to our export markets? And, accordingly, to manage that are we looking at any expansion plans?
- If you could also talk about on the export market which are the key products and services that we currently export, what products are manufactured by us locally and are there incrementally any new products that we plan to manufacture.
- If you could very briefly also talk about the sourcing policy that we have with our parent. Which are the key raw materials and finished goods that we purchase? And how do we look at that going forward?
- Sir, what are the current orders that we have in hand? And if you could provide a brief inkling in terms of our orderbook and how that has moved over the past three years?
- Also, with respect to the orders, if you could also highlight the brief execution cycle that we have within process automation and building automation and how does one look at it and how does it vary between these two segments.
- Lastly, Sir, on the EBITDA margins front we've seen EBITDA margins, you know, go down fairly significantly from FY20 and FY21 levels. If you could provide more details on what do you attribute this margin decline to? And in your view, from a medium to long term perspective, what could be the sustainable EBITDA margins for the company?
- On the corporate overhead allocations, we've seen a sharp drop in those expenses for this year, which we see it as a proxy of the royalty fees that you put. Typically, they've come down to about 2.9% versus the average last 10 years of about 3.7%. So, if you could provide certain explanation on this.
- And lastly, Sir, on the capital expenditure part if you could provide what is the CapEx plans over the next three years from FY25 to FY27. And which areas would you look to invest?
- Thank you. Those were my questions.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you, Mr. Mittal. Can we move to Mr. Pratik Singh, please, representative of the Helios Capital Management?
- **Moderator:**
- Mr. Pratik, you are unmuted. Kindly ask your question.

- **Mr. Pratik Singh - Shareholder:**
- Ya, am I audible?
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Yes.
- **Mr. Pratik Singh - Shareholder:**
- Good evening Sir. Thank you for the opportunity. While most of my questions have got covered in the previous, by the previous participants, I will just be specific to one question. This is regarding certain upcoming segments like Data Centers, railways and defense which present a huge opportunity in India. So just wanted to know, how does HAIL plan to go through these segments in terms of product launches or any strategic initiatives across these 3-4 segments? That would be it. Thank you.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Thank you Pratik. Can we move to Mr. Himanshu Upadhyay please?
- **Moderator:**
- Mr. Upadhyay, you are unmuted. Please turn on your video and ask your question.
- **Mr. Himanshu Upadhyay – Shareholder:**
- Hello? Am I audible?
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Yes.
- **Mr. Himanshu Upadhyay – Shareholder:**
- Ya, so I have sent a list of questions but I will read it. As an outsider, what can be the data points to track and understand how well Honeywell Automation India is doing besides the financial books and we don't get anything besides P&L. How can we better understand and track the company? What percentage of revenue for us would be from products introduced in the last 5 years and how do you track the innovation, what we talk about in the AGM and how is it happening? Some thoughts on that. Can you provide some color on how has the business dynamics and customer requirements changed in the last 5 years and how are we adopting to these changes which are happening in the marketplace? 4th, what percentage of our revenue would be recurring in nature and one time sales for us? How has this evolved over the years? And our both recurring business and one time project business moving in line or you are finding one moving ahead of the other? What

are the 3 risks as an investor we need to understand while evaluating Honeywell Automation? And the last one, what is the nature of sales of services? And is it from maintenance and service contracts only? If no, then what percentage of it would be from maintenance and service contracts and also what would be the reason for it to fall in FY24, when products revenue and those have increased? These are some of my queries.

- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**

- Thank you very much Mr. Upadhyay. Thank you shareholders for your participation. I now request Mr. Atul Pai and Mr. Pulkit Goyal to answer these queries please.

- **Mr. Atul Pai – Managing Director, Honeywell Automation India Limited:**

- Thank you Chairman. Thank you shareholders for first of all submitting the questions in advance. It gives us an opportunity to better be prepared and at the same time sticking to the same question so that we do not have anything new here. So thank you very much. How we intend to do is, we got all the questions covered. I will cover all the business questions first and then I will hand it over to my colleague Pulkit to cover all financial related questions.

- So the 1st question, set of questions are around our offerings with respect to what were the offerings in our so called traditional base, oil and gas and how are we pivoting to the new markets? I think I did try to cover that in the pictorial representation of the key wins. So we continue to be a leading player in the entire hydrocarbon value chain from upstream, downstream, refining and distribution from a system integration perspective. We are also present in other verticals such as metals, power, as we have seen in the past. Specifically with respect to steel, cement, we all know that there are investments happening with respect to carbon capture because these industries have a very large carbon footprint for that matter. Anything to do with automation in these technologies which is required from a system integration perspective and subsequent life cycle value from annuity, would be something that we would pursue over in these industries. With respect to the new industries especially renewable and power, or for that matter in a compressed biogas, for example, we as Honeywell Automation India Ltd., in both those investments capital cycle would participate from an automation perspective. For example, we would have load balancing offering or battery energy storage systems which is a large system integration to ensure that both renewable power and conventional power are provided in a very synchronized manner. The automation required for carbon capture is also an offering that we have as a part of our portfolios. A lot of this including, the way I think I explained earlier, the indigenously built green hydrogen plant, we have seen a lot of PLI announcements, so everything to do with automation, not the molecular part of process technology but the automation part of that technology is something that Honeywell Automation would participate as a leading system integrator. You know, some of the shareholders were right. We did not do a good job in explaining how important data centre markets are for us. We are again one of the leading providers for integrated building management system, fire, security and access control for data centres which we know are a critical asset given the criticality it has to in a digital, what you say, overall investment. So data centre investments are an important element of our growth and I think we did mention that some of the key wins in that space in our earlier slides.

- There was a question on exports as to why we should be concerned about the export percentage going down and the domestic percentage going up. To be honest, I think I did mention that, over the past many years, the export business has outgrown or the pace of export business has outgrown the pace of domestic business. Now while that is true, both have actually grown, exports have grown on a lower base, that was at 16% over the past 2 decades and domestic has grown around 10% over the similar period. The good news in this mix is that the domestic business is growing faster. So it's not that the export business is not growing but the domestic business is growing faster. Now while the export business is relatively linear, a large chunk of our export business is services which is linear in nature, contract manufacturing which is relatively linear and a very small portion is project exports whereas in our domestic business, our intention is to create what we call as install base, which is very similar to the theory of razor and razor blade. The moment you win the install base, you are able to get annuity or life cycle services for the life of the entire asset which is the total cost of ownership. Hence, we do see that our domestic business is not truly growing in the same linearity because projects are lumpy in nature which are also one of the reasons why our margin rates are not steady given the both, the mix between domestic project business and domestic service and overall domestic business versus export business. But at the end of the day, we will always be, what you say, encouraged and to improve our margin in those respective segments independently. We do report our entire financials into one segment, so we cannot really give you margin rates but I think it's a good proxy to say that if my domestic business is growing and we all know that capital investments, both in government as well as private sector in India is pretty optimistic and hence we participate in that upcycle and hence our domestic business will continue to grow. We are targeting ourselves to grow at the rate of 2X the GDP. But that will put some pressure given the mix of domestic business between projects and services.
- There was a question with respect to Middle East entities and growth in Middle East especially in Saudi and other Middle Eastern countries. Like India, many Middle Eastern countries have also announced their equivalent Make-in-India or localization projects. Honeywell has been in those countries for decades in the past, independent of Honeywell Automation India Ltd. So it is fair to say that a large chunk of that growth will be captured by the entities in those regions. However, we have a very particular advantage with respect to the skills and the capabilities that we have because our industrialization has been pretty diverse and our talent pool has been pretty stable over the past many years. So we will see a fair share of that growth being sub-contracted to us through Honeywell subsidiaries but it is also fair to assume that a large chunk of that growth in those markets will go to the Honeywell entities in those respective markets.
- There was a question on data centres, which I think I covered. Again the question from Invesco Mutual Funds around the business part of it. There was a broad question on, if Honeywell Global margins are at the 25% range, why are Indian margins not in that range, and it will be fair to say that, first of all our portfolio is a very small portfolio of global Honeywell. So truly the margin rates are not comparable. As explained in our organic growth strategy earlier, our portfolio is associated with process solution, building solution, system integration. So the extent of we creating Install Base, we would all agree that India is creating Install Base at a much more rapid pace than globally and hence, those profit rates are not entirely comparable because of the revenue mix.
- What are the new areas of growth and are we seeing traction? I think sustainability and digitalization and sustainability on the automation side, we always try to make a simple

distinction in between what we cover as our portfolio. This business does not cover anything to do with molecular aspect of Chemistry and Physics, which is part of global Honeywell but anything that is required to automate that process from a system integration perspective which is part of process solution is something that we would cover. So everything with the new age technology or new age investment happening in compressed biogas, happening in the renewable energies that require storage and load balancing, pharmaceuticals, life sciences. On the life science piece, we do have solutions, both on the process side of automation as well as on the facility side of automation because every life science facility would need clean room environment which is a building automation solution that we provide, will require fire safety that has very different levels of redundancy and resiliency. So all those on the facility side is something that we would do through our building solutions business.

- The outlook on exports, I think I mentioned it. I would say that we believe that our domestic growth will outperform the export growth and that's pretty much reflective of India being a high growth region and hence we are getting our fair share of such growth in India.
- There was a question on, what data points that we would look at with respect to tracking Honeywell, what Honeywell Automation is doing. I would say, industrial growth and the overall distinguishing between our domestic business and our export business, though it is one segment, we do give that breakup between domestic and export. We unfortunately cannot give the break-up between process solution, building solution and the distribution business because they all form a part of the single segment which is the automation segment.
- What percentage of our revenue from the products for the last 5 years and how do we track the innovation business? Again we have, I would say largely 3 segments of our revenue, segments is a wrong word, 3 elements of our revenue – one is projects which is largely system integration, one is services and one is distribution. They are of course both in domestic as well as export. When we do for example services for a new age industry like pharma, like battery energy storage systems for renewable systems, they are truly I would say new products though you cannot call those services new services because they are using our core technology which we have. It's a bit difficult for us to basically come up with a percentage of new products to track innovation but we have our own ways of tracking innovation with respect to vitality, which is what we do internally.
- There was a question around, whether customer dynamics have changed? Customer dynamics have changed to the extent that customers are now way more responsible with respect to their carbon footprint or the need for energy transition. We still believe that there is a big play for the conventional energy needs that needs to be cleaner. Even for example moving from BS5 to BS6, it is still conventional energy but there is still a lot of investment going there. A lot of investments have been growing in natural gas for that matter. So all those with respect to transportation, processing from an automation perspective is where we believe, we continue to participate as well as pivot into new industries that we spoke about which is the renewable industry, pharma, life sciences, data centres. In the 3 risks, I think in our Management and Discussion Analysis, we have pointed put two geo-political risks. I think while we have a clear advantage with our cost base as well as our talent pool, we have seen many countries taking very nationalist views on meeting their own demand with respect to investments being made in their own countries or in clusters like in European Union, within the European Union. They do possess a risk to us for that matter. The high oil import bill of this country is both a positive as well negative, as I explained

earlier. The overall global economy, while we did not grow fast, we did not shrink as some of the other industries that shrank during the covid period. Again because we have such a diverse business between exports and domestics, between domestic of process and building, between projects and services or Install Base, that diversity helps us to stabilize the ups and downs of the single segment business that you would see.

- Foreign exchange fluctuation, your company is a net exporter and hence a net gain in foreign exchange but a strong rupee would hurt us or a strong dollar would help us on our domestic side of the business. We have all seen the disruption of the global supply chain, thankfully most of it is behind us. We are still seeing a small portion of supply chain still being disrupted but largely I would say that risk is behind us.
- There was a question on the nature of services. The nature of services are again 2 fold. Services that are given to our global Honeywell which is our engineering services and services that are given to our domestic business, which are largely annual maintenance contract or life cycle services and hence both are clubbed into services. The extent of global Honeywell Services could go up and down depending upon the need for such services in those countries.
- There was a question around outlook of process solution, system sensor. I covered a large chunk of it. I would summarize by saying that energy demand for conventional energy for the next 5-6 yrs. will continue and hence automation and the benefit that we already have that as an install base. So upgrading or making these assets even more efficient is something where capital will be spent and we will participate in that capital investment.
- And subsequent transition to make those conventional energy less impactful from a carbon perspective and eventually into green out there, which is the automation pace that I covered earlier.
- Outlook on exports, I think I did cover the outlook on exports broadly by saying, the company has clear advantages from a cost arbitrage and capability perspective but there are headwinds from the fact that many countries are now insisting on localization of their respective value chain and hence thereby, overall global international trade will have that rebalancing as we speak.
- From a new segments' perspective, we have always participated in power, transmission and distribution. We take the feedback that we haven't explained our data centre play well, we will do that going forward. On the railways, we are there with respect to efficiency and the investment that the railways are trying to do on safety and security but we do not have any presence in defense. Our defense presence is to the extent of giving sensing solutions to OEMSs to the extent that they have manufacturing set-ups in India.
- There was a question around, how do you look at competition intensity in the process automation sector? I would say that the competition intensity is very similar to any capital good industry that have a model of a razor - razor blade to the extent that you have a value proposition of your installed base and your technology which the customer would like to maintain over the life cycle of the entire asset which is very critical to them, that is where we would play and that is where we would be very aggressive to win that Install Base, so that we could serve that customer for life, thereon. Like any other business, the annuity business is always profitable, way more profitable than the Install Base.

- There was a question around market share. We would only say that, we do measure the overall share of demand and our participation in that particular segment and we do believe that we continue to improve our share of demand in the served segments of the respective industries that we spoke about.
- Let me see, if there is anything else that is there for me to cover here. Again, there was a question around breaking up of revenue between process solution and building solution. Unfortunately, we cannot give that data because it's all part of one segment.
- What is the general execution cycle for the projects? I would say, a general product project is between 6 months to 12 months, but we have large projects that go up to 36 months for that matter. So, it's generally between normal run rate business of 6-12 months and larger projects between 18 to 36 months.
- There was a question around EBITDA rates. While Pulkit will cover it, I think I mentioned it broadly by saying that it is a reflection of mix between exports and domestic and within domestic, projects and services and aftermarket services.
- There was a question around export revenue. I think I covered the export revenue piece so I will skip that.
- What is the sourcing policy with the parent? I think our sourcing policy is clear in the sense that we are a part of Honeywell Inc. We would sell and buy Honeywell products from our subsidiaries, system integrate them and then sell it locally and at the same time, to the extent that services are required by Honeywell, from looking at our competency as well as our cost arbitrage, we would get those services both in terms of absolute services and contract manufacturing that we have explained in our part of our MDNA.
- So, these broadly cover the business questions, I would say. I would now hand over to Pulkit for the financials.
- **Mr. Pulkit Goyal – Chief Financial Officer, Honeywell Automation India Limited:**
- Thank you, Atul. Thank you, shareholders, for asking the questions. You know before I start, let me make a quick comment that I would first try to answer the questions that are related to the previous fiscal year, that is the one that ended on 31st March 2024 and if time permits, I will take the specific question that had come on our accounting policy change.
- Couple of questions had come from Messrs. Aditya Birla Mutual Fund. The 1st one was on the order book of the company. We have provided the growth rates in the past but somehow the current year's growth rate not visible. Just like in the past years, we have also provided the order growth in this annual report as well. You can locate it on page no.48 and that has been mentioned, the only change we have done compared to the previous periods is that our order growth now includes all orders. In the past, we had disclosed only the external orders or non-Honeywell companies' orders.
- The other question that Aditya Birla Mutual Fund had was on the localization and how much localization has been achieved and I think similar question was also asked by other

investors and other shareholders as well. Now let me try and answer it in this way that, I know you are also trying to relate it through the traded goods that you see we take it from our other Honeywell subsidiary companies. Now HAIL always looks for opportunities to manufacture or source from India. However, there are some important Honeywell technologies that we will continue to import and leverage global Honeywell scale, supply chain and know-how. And another element which I would like to highlight before we decide to localize any of these productions, each product that we buy is consisting of several components and when it makes sense for Honeywell Automation India Limited to localize those productions keeping in mind the economies of scale, then we make that decision and the other important point to note here is that some of these trading products may also be part of our system integration portfolio too.

- Then there were questions from Messrs. Invesco Mutual Fund, again on the traded products, that you have seen that there is a decline or increase compared to 2020 from 13% to 19% in the last fiscal year. As I just mentioned, the localization decisions are made by the company keeping in mind the economies of scale and to what extent the backward and forward integration of the supply chain is possible in the country.
- There was another question from Invesco on the margins that, which segment enjoys highest profit margin. Is it manufacturing or traded goods or services? That's an easy answer. Its services' business also and as our Managing Director, Atul, had clarified, we have a razor and the razor blade model and higher the installed base that we have, we are able to reap bigger benefits of our after-market sales' portfolio, and this of course gives us much higher profit margin.
- You asked for also the outlook for the next 5 years. Unfortunately, I won't be able to provide the forward-looking statements on the projections for the next 5 years.
- There was another comment on or a question on the segments that have, what's the split between the project and product business? Again, as Atul has mentioned, HAIL has only 1 reportable segment and that is automation and control systems, and all our numbers are reported as per the Accounting Standard requirements and we won't be able to provide any further business segmentation because our current segment is aligned with the local accounting GAAP. There was further add-on question on the current order book, the mix between the projects and the services. Again, you know, this mix is consistently changing and we always look for the opportunities to have of course higher installed bases which gives us annuity in businesses later on for the years to come, that's why it would be very difficult for us to kind of tell you what would be the mix between the 3 elements of our sales, that is product, projects and services.
- Just to let you know, our order growth, our entire order growth for HAIL in the last fiscal year was around 11%. One of the shareholders also asked about the previous 3 years' order growth. So in the last fiscal year that ended on 31st March 2024, it was 11%. A year before, it was also around same at 12% and 2 years' prior to that, that means the year that ended on 31st March 2022, it was around 30%.
- Then there were couple of questions from SBI Mutual Fund, more particularly on our decline in EBITDA margin. You commented that margins have declined from 19.4% in 2021 to 13.8% in the last fiscal year. I would like to elaborate on what Atul has just mentioned that, they are 2 important factors when we look at this margin variation. One

is, that you know, we operate in the competitive market place and there are a couple of factors that really put pressure on our margins and one of which is of course the mix of the business. HAIL has projects, products and service businesses and as I just mentioned a few minutes ago, service business comes with of course much, much higher margins, than what would we normally earn on our project business or what we would do to set-up our installed bases. This mix indeed plays a role in our profitability. And as we are building our installed bases which are typically falling under our project businesses, will always come with a lower margin as I just mentioned. This mix, you know, kind of distorts our margin sometimes.

- The other element, again just to elaborate on what Atul had mentioned, the other mix which kind of plays a role in our margins is, the share of our local business as well as the international business and as you may know, that our domestic market is more competitive than what we have in our international markets and in the last 2-2.5 decades, this has undergone a lot of change and we are now seeing that, especially since the last 3 years, our domestic business is growing faster than the export business. So these 2 important mix elements kind of do have a role in our margin variations.
- The last set of questions that I have from Messrs. Kotak Mutual Fund, again it was on the external order book and how much growth has it shown over the last year. As I mentioned the growth is around 11% and aspiration is always to be at 1.5-2X of the GDP and we have been maintaining that at least in the last 2yrs. Another question from Kotak Mutual Fund was on the margin trajectory. As I mentioned, I won't be able to give you the future outlook. However, it will be depending upon the mix of the business that we have. Another and the last question that was from Kotak Mutual Fund was on the supply chain constraint. Is it resolved? As we stand today, we do not see major supply chain disruptions and all our production as well as the deliveries are on track and we do not see major disruptions here.
- Now let me take a couple of minutes to answer the comments. Normally I would not take up any questions related to the last quarter's performance. However, since the question was a bit specific and pertaining to our accounting policy change, we thought we will make a few comments here. In the past, until the last fiscal year, HAIL was showing reimbursement of expenses which was connected with our engineering services export business, we call it GES, was added since it was invoice without margin, added to sales as well as expenses and there was a change in the agreement that was made effective 1st of April, now requiring us to have those expenses pre-authorized and since there was no margin element on those expenses, we have now decided it to net it out directly from the expenses. So this is not really an adjustment and it is profit neutral but it is a change in the way we have presented our revenue and the expenses. That's the reason why you see this note and this will be our policy going forward.
- **Mr. Atul Pai – Managing Director, Honeywell Automation India Limited:**
- Maybe I can just add to that. I think the punch point is, it is profit neutral for that matter and we will disclose this for the next 3-4 quarters, till the time we have comparables and we have given the comparable table so that people can look at our analysis. This is a changed prospective for that matter and hence this quarter's growth would be 10% versus the 3% that you are seeing as of now.

- **Mr. Pulkit Goyal – Chief Financial Officer, Honeywell Automation India Limited:**
- Thank you, over to you Chairman.
- **Dr. Ganesh Natarajan – Chairman & Independent Director, Honeywell Automation India Limited:**
- Sure, thank you very much. I think we had a very comprehensive response to all the questions that you have raised and as we have all said, I think India is on a tremendous growth path. We have been in the right spaces and continue to be in the right spaces to really participate very well in India's growth and of course exports, as both Atul and Pulkit have said is very much a continuing part of our business. So, thank you very much and I now authorize the Company Secretary to conduct the e-voting procedure and thereafter conclude this meeting. I further authorize the Company Secretary to accept, acknowledge and countersign this scrutinizer's report and declare the consolidated e-voting results on the receipt of the scrutinizer's report. As mentioned earlier, the e-voting facility was available during this meeting and will remain open for the next 15 minutes to enable the members to cast their vote. The results would be announced within the stipulated timelines and shared with stock exchanges and uploaded on the website of the company and NSDL respectively. I thank all the shareholders for attending this meeting and for their continued support. With your consent, the other Board Members and I would now like to take your leave. Thank you very much.

Count Down Timer from 15 mins – 0 mins

- Ms. Indu Daryani – Company Secretary, Honeywell Automation India Limited:

- E-voting was kept open for 15 minutes as mentioned by the Chairman. We now close the E-voting. The requisite quorum was present throughout the Meeting. Voting results of the Annual General Meeting will be announced by the Company within the stipulated timelines and shared with the Stock Exchanges and uploaded on the websites of the Company and NSDL, respectively.

- With this I declare the Meeting as concluded. Thank you for attending the Meeting.

END OF TRANSCRIPTION