

Dear Members,

The Directors present the **THIRTY FOURTH ANNUAL REPORT** with the audited financial statements of the Company for the financial year ended March 31, 2018.

1. FINANCIAL RESULTS:

(Rs. in lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Sales & Other Income	273,126	248,275
Operating profit	39,671	32,392
Less: interest	28	26
Depreciation	1,520	1,635
Profit for the year	38,123	30,731
Income tax and deferred tax expenses	13,150	13,786
Profit for the period	24,973	16,945
Profit brought forward from the previous year	97,234	83,047
Profit available for appropriations	122,207	99,992

Revenue from operations registered a growth of 10.4%. Profit before tax was 14.1% of revenue from operations as compared to 12.6% in previous year. Exports revenue increased over previous year by 14.6%. This growth was achieved despite competitive challenges on pricing.

2. DIVIDEND:

Payment of final dividend @ Rs. 32/- per equity share of Rs. 10/- each was recommended by the Board of Directors at their meeting held on May 14, 2018 (Previous Year : Rs. 10/- per equity share). The dividend, if approved by the Members at the ensuing Annual General Meeting, will result in a total cash pay-out of Rs. 3,411 lakhs including dividend distribution tax.

3. OPERATIONS:

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

4. INDUSTRY OUTLOOK:

The details regarding Industry Outlook are given in the Management Discussion and Analysis Report which forms a part of this Report.

5. HONEYWELL OPERATING SYSTEM (HOS):

Your Company continues to be strongly focused on its operational excellence journey using the Honeywell Operating System (HOS). HOS is favorably impacting safety, quality, delivery, cost, and inventory matrices. The Pune Integrated Supply Chain organisation has sustained its HOS Silver Excellence certification and is now pursuing the next milestone of "World Class" in the new HOS Order-to-Cash framework. In 2016-17, a significant part of the Global Services supporting Honeywell Process Solutions has remained at Silver Level, with the aim of sustaining the organisation's maturity level in 2018. The Global Services supporting Process Solutions business, already a Silver certified site, is driving further maturity using HOS principles to achieve superior quality and delivery experience for Honeywell customers.

6. HUMAN RESOURCES:

Honeywell believes in the immense potential of its human capital and acknowledges that our employees are the core growth engine for the Company. Your Company is committed to creating an inclusive, performance oriented, and an entrepreneurial culture that allows us to bring the best out of every individual and team. Honeywell is committed to creating an equal opportunity workplace, which promotes openness and diversity. Your Company has a strong employee value proposition that focuses on challenging work that matters, hiring and retaining the right people, sustained focus on talent and leadership development, differentiated rewards to drive exceptional performance, and community engagement.

Your Company deploys a Positive Employee Relations (PER) framework to get annual feedback from all employees on key engagement factors to build an engaged and motivated workforce. Additionally, a Labour and Employment Relations framework elicits feedback in our factory and supports action planning to drive engagement at all levels in the organization.

As on March 31, 2018, the Company's employee strength was 3,205 as compared to 2,931 (full-time employees) as on March 31, 2017. Your Company had 455 women employees which represents 14.2% of our workforce. The Company is fully compliant with the prevailing laws on Prevention of Sexual Harassment of Women at Workplaces. The Internal Complaints Committee deals with all matters related to the subject in accordance with the tenets of the law.

7. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

During the year under review, Ms. Tina Pierce (Non-Executive Director) resigned as a Director with effect from the close of business hours of February 12, 2018.

The Board of Directors at its meeting held on February 12, 2018 appointed Mr. Brian Buffington (Non-Executive Director) as an Additional Director effective February 13, 2018 and Mr. Buffington holds office upto the forthcoming Annual General Meeting (AGM) of the Company. Necessary resolution for appointment of Mr. Brian Buffington as a Director has been included in the Notice convening the AGM, and the details of the proposal are mentioned in the Annexure to AGM Notice. The Board recommends his appointment.

Ms. Farah Irani was appointed as the Company Secretary with effect from May 16, 2017.

As per the provisions of the Companies Act, 2013, Mr. Vikas Chadha, who was appointed in casual vacancy of Mr. Anant Maheshwari, retires by rotation at the forthcoming AGM and being eligible, he offers himself for re-appointment. The Board recommends his re-appointment.

Mr. Ashish Gaikwad continues as the Managing Director, Ms. Nisha Gupta and Mr. Vikas Chadha continue as Non-Executive Director, and Mr. Suresh Senapaty and Mr. N. Srinath continue as Independent Directors on the Board.

Mr. Ashish Gaikwad, Managing Director, Mr. R. Ravichandran, Chief Financial Officer and Ms. Farah Irani, Company Secretary are the Key Managerial Personnel (KMP) of the Company, pursuant to the provisions of Companies Act, 2013, as on the date of this Report.

Mr. R. Ravichandran would move to a new role within Honeywell Group Company and hence tendered his resignation as Chief Financial Officer of the Company in the Board Meeting held on February 12, 2018, effective close of business hours of May 15, 2018.

Mr. Amit Kumar Tantia was appointed as Chief Financial Officer (KMP) of the Company in the Board Meeting held on May 14, 2018 with effect from May 16, 2018.

The Board places on record its appreciation of the valuable contributions made by Ms. Tina Pierce and Mr. R. Ravichandran.

8. BOARD MEETINGS:

Six meetings of the Board of Directors were held during the year. Details about the meetings are available in the Report on Corporate Governance, which forms a part of this Report.

9. COMMITTEES OF BOARD:

The details regarding Committees of the Board of Directors of the Company are given in the Report on Corporate Governance, which forms a part of this Report.

10. DECLARATION BY INDEPENDENT DIRECTORS:

The Company has received necessary declarations from each Independent Director under Section 149(7) of the Companies Act, 2013, that he meets the criteria of Independence laid down in and Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

11. BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual evaluation of its own performance, its Committees, as well as the Directors individually.

The outcome of the Board evaluation was discussed by the Nomination & Remuneration Committee and at the Board Meeting held on February 12, 2018.

Details regarding process and criteria for evaluation are given in the Report on Corporate Governance, which forms a part of this Report.

12. CODE OF CONDUCT COMPLIANCE:

The declaration signed by the Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the financial year ended March 31, 2018 is given in Report on Corporate Governance, which forms a part of this Report.

13. CORPORATE SOCIAL RESPONSIBILITY:

Your Company remains committed to making the world a better place and expanding community outreach. As part of its initiatives under Corporate Social Responsibility (CSR), the Company, in partnership with leading non-profit institutions, has developed powerful programs to address needs in the communities it serves. The Annual Report on CSR activities, in accordance with Section 135 of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time, is annexed herewith as "Annexure - 1" and the copy of the CSR Policy is also available on the Company' website.

14. AUDITORS: Statutory Audit

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, M/s. Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018) were appointed as the Statutory Auditors for a period of 5 years to hold office from the conclusion of the AGM of the Company held on July 21, 2015, subject to ratification of their appointment at every subsequent AGM. A resolution seeking ratification of their appointment till 36th AGM forms part of the Notice of AGM and the same is recommended for your consideration and approval.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Cost Audit

In terms of the provisions of Section 148 and other applicable provisions of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, Cost Audit was not applicable to your Company for the financial year 2017-18.

Secretarial Audit

In terms of the provisions of Section 204 of the Companies Act, 2013 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company appointed M/s. Bokil Punde & Associates, Practicing Company Secretaries as Secretarial Auditors of the Company for the financial year 2017-18. The report of the Secretarial Auditors is enclosed as "Annexure - 2" to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

15. RELATED PARTY TRANSACTIONS

The particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013, Read with 8(2) of Companies (Accounts) Rules, 2014 are enclosed herewith as "Annexure - 3".

16. RISK MANAGEMENT

Your Company has an Enterprise Risk Management framework, administered by the Risk Committee, to develop, implement, and monitor the effectiveness of risk management processes for the company. This framework enables identification, assessment, monitoring, and mitigation of strategic, operational, compliance and financial risks that are key to achieving our business objectives. Risks are identified, evaluated and prioritised based on their likelihood of occurrence and severity of business impact. Major risks identified by the businesses and functions are systematically addressed through mitigation and governance.

17. COMPANY POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The Company policy on Directors' appointment and remuneration and other matters as provided in Section 178(3) of the Companies Act, 2013 is enclosed herewith as "Annexure - 4".

18. WHISTLE BLOWER POLICY / VIGIL MECHANISM

In line with requirement under Section 177(9) and (10) and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has established a whistle blower/vigil mechanism for its employees and Directors to report their genuine concerns. The details of the same are explained in the Corporate Governance Report.

19. INTERNAL FINANCIAL CONTROLS

The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

20. HOLDING COMPANY

The Company is a subsidiary of Honeywell Asia Pacific Inc. USA, the ultimate holding company being Honeywell International Inc. USA.

21. TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

As required under Section 124 of the Companies Act, 2013, the unclaimed dividend lying with the Company for a period of seven years pertaining to the financial year ended December 31, 2009, was transferred during the year 2017, to Investor Education and Protection Fund established by the Central Government.

The Ministry of Corporate Affairs (MCA) on October 16, 2017 had notified the amendment to Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Second Amendment Rules, 2017 ("the IEPF Rules") wherein the Company was required to transfer Investor Education and Protection Fund, all the shares whose dividend is lying in the "Unpaid Dividend Account" of the Company as unpaid or unclaimed for a period of seven consecutive years from the date of its transfer to the said Unpaid Dividend Account. The requisite transfer of shares to IEPF was required to be completed by November 30, 2017 and the Company has complied with the same and the aforesaid shares have been transferred by the Company to IEPF. The Company has uploaded the details of the aforesaid transfer of shares on the website of IEPF (www.iepf.gov.in) and on the website of the Company at the following link: https://www.honeywell.com/-/media/Honeywell_com/Files/en-in/Unclaimed-Dividends/Unclaimed-shares-trasferred-to-IEPF-as-on-November-30-2017.pdf

Pursuant to the IEPF Rules, for the dividend declared for the financial year ended December 31, 2010, the Company had dispatched the communication individually to the concerned shareholders whose equity share(s) were liable to be transferred to IEPF under the rules for taking appropriate action(s). The Company had also issued public notice in newspapers as required under the IEPF Rules. The Company had uploaded the full details of such shareholders and shares due for transfer to IEPF on the website of the Company at the following link: https://www.honeywell.com/-/media/Honeywell_com/Files/en-in/Unclaimed-Dividends/Unclaimed-Shares-for-Tranfer-to-IEPF-as-on-February-21-2018.pdf

22. PARTICULARS OF EMPLOYEES

A statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in "Annexure 9" forming part of this Report. As per the first proviso to Section 136(1) of the Act, the Annual Report is being sent to the members excluding the aforesaid annexure. The said information is available for inspection at the registered office of the Company during working hours. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request. The full Annual Report including the aforesaid information is available on the Company's website.

The ratio of the remuneration of each Director to the median employee's remuneration and other details prescribed in Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are attached to this report as "Annexure 5" - Statement of Disclosure of Remuneration.

23. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company respects and values diversity reflected in various backgrounds, experiences, and ideas and is committed to providing employees with a workplace that is free from discrimination or harassment. The Company has earlier adopted a policy on prevention, prohibition, and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Every employee is required to complete mandatory online training on Prevention of Sexual Harassment at Workplace.

The Company has Internal Complaints Committees (ICC) established in accordance with the aforesaid Act for addressing sexual harassment incidents.

One complaint on sexual harassment was received by the Company during the financial year under review and the matter was investigated and closed as on date of this report as per required process.

24. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

The Company has not made any loans, guarantees or investments during the year under review, pursuant to the provisions of Section 186 of the Companies Act, 2013.

25. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report.

26. SIGNIFICANT AND MATERIAL ORDERS

There are no significant and material orders during the financial year ended March 31, 2018 passed by the regulators or courts or tribunals impacting the going concern status and Company's operations.

27. DEPOSITS

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

28. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Information required under Section 134 of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is included in "Annexure 6".

29. MANAGEMENT DISCUSSION & ANALYSIS / CORPORATE GOVERNANCE REPORT:

The Management Discussion and Analysis Report and Corporate Governance Report pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are annexed and form part of the Board's Report.

30. EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies Management and Administration) Rules, 2014, an extract of the annual return in Form No. MGT-9 is annexed herewith as "Annexure 7".

31. LEGAL COMPLIANCE REPORTING

The Head – Legal, the Company Secretary, and Chief Financial Officer of the Company monitor the legal compliance reporting process and advise the Company on compliance issues with respect to the laws of various jurisdictions in which the Company has its business activities.

The Company has a practice of obtaining quarterly compliance certificates from various functional heads for compliance with laws applicable to the respective function. A consolidated report on compliance with applicable laws is presented to the Board every quarter. To take care of the continuously evolving compliance scenario, the Company is constantly striving to strengthen the compliance reporting framework.

32. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to provisions of Section 134(3)(c) and Section 134(5) of the Companies Act, 2013, your Directors make the following statements:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2018 and of the profit for the year April 1, 2017 to March 31, 2018;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis;

- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

33. COMPLIANCE WITH SECRETARIAL STANDARDS

Your Directors confirm that the Secretarial Standards issued by the Institute of Companies Secretaries of India, as applicable to the Company, have been duly complied with.

34. DIVIDEND DISTRIBUTION POLICY:

The SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 read with Notification dated July 8, 2016 mandate formulation of a dividend distribution policy by Top 500 listed entities based on market capitalisation. In compliance with the Regulation, the Company has formulated a dividend distribution policy prescribing the parameters for the dividend distribution and the same is disclosed in "Annexure 8" to this Report and forms part of this Report. The policy is also available on the Company's website at the following link: https://www.honeywell.com/-/media/Honeywell_com/Files/en-in/Policies/Dividend-Distribution-Policy.pdf

35. BUSINESS RESPONSIBILITY REPORT:

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates inclusion of the Business Responsibility Report (BRR) as a part of the annual report for Top 500 listed entities based on market capitalisation. In compliance with the Regulation, the BRR forms part of this Annual Report.

36. ACKNOWLEDGMENT:

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

**For and on behalf of Board of Directors of
Honeywell Automation India Limited**

Suresh Senapaty
Chairman

Pune, May 14, 2018

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