NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION:

Honeywell Automation India Limited (the 'Company') is engaged primarily in the business of Automation & Control systems on turnkey basis and otherwise. The Company is a public limited company and is listed on the Bombay Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A. Statement of Compliance

These financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

B. Basis of Preparation and Presentation

The financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:

i) Derivative financial instruments

ii) Certain financial assets and financial liabilities measured at fair values (as required by the relevant Ind AS)

iii) Share based payment transactions and

iv) Defined benefit and other long term employee benefits

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purpose in these financial statement is determined on such basis, except for share-based transactions that are within scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilites that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3 inputs are unobservable inputs for the asset or liability.

C. Property, Plant and Equipment

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any.

Items of Property, plant and equipment that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of Property, plant and equipment are recognised in the Statement of Profit and Loss.

Freehold land is not depreciated.

The Company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Class of Assets	Useful Lives
Buildings	30 years
Plant and Machinery*	10 years
Demo Equipment*	4 years
Computers	3 years
Office Equipment	5 - 6 years
Furniture and Fixture	5 - 10 years
Vehicles*	4 - 5 years

* Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Assets installed in leased premises are depreciated over lease period or useful life of assets whichever is lower.

The estimated useful life of the Property, plant and equipment are reviewed at the end of each financial year, with the effect of any changes in estimate accounted for on a prospective basis.

D. Intangible Assets and Amortization

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Losses arising from the retirement of, gain or losses arising from disposal of an intangible asset are recognised in the Statement of Profit and Loss. The Purchased Software are amortized over a period of 3 years.

The estimated useful life of the other intangible assets are reviewed at the end of each financial year, with the effect of any changes in estimate accounted for on a prospective basis.

E. Impairment of Tangible and Intangible Assets other than Goodwill

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

F. Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the technique of standard cost method, which approximates the actual cost using the Moving Weighted Average basis. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

G. Revenue Recognition

i) Revenue in respect of projects for construction of plants and systems is recognized on the basis of percentage of completion method in accordance with Ind AS 11 – Construction Contracts. Percentage of completion is determined by the proportion that "contract costs" incurred for work done till date bears to the estimated total contract costs (Input method). Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contracts in progress. 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. Contractual claims are recognized on raising of the claim. Income from non-contractual claims is recognized only on acceptance of the claim by the customer.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

ii) Revenue from sales of products and services are recognized when all the revenue recognition criteria as per Ind AS 18 are met.

iii) Revenue from short term software development services includes revenue from time and material and fixed price contracts. Revenues from time and material contracts are recognized as related services are performed. With reference to fixed price contracts, revenue is recognized in accordance with proportionate completion method.

H. Foreign Currency Transactions

i) Functional currency

The functional currency of the company is the Indian rupee. These financial statements are presented in Indian rupees (rounded off to Lakhs).

ii) Initial Recognition

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

iii) Subsequent Recognition

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

I. Employee Benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans:

i) Superannuation fund:

Contribution towards superannuation fund for certain employees is made to the Life Insurance Corporation, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

ii) Provident Fund:

Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for.

iii) Gratuity:

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each financial reporting period.

iv) Compensated Absences:

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

v) Termination Benefits:

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

Actuarial gain or losses and remeasurements:

Actuarial gains or losses on defined benefit obligations are recognized in other comprehensive income. Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurements comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

J. Share Based Payments

Certain employees of the Company receive remuneration in the form of equity settled instruments given by the ultimate holding company (Honeywell International Inc.), for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant.

The expense is recognized in the statement of profit and loss with a corresponding increase to the share based payment reserve, as a component of equity. The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants. The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

K. Income Tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period.

Current tax:-

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

Deferred tax:-

Deferred tax is recognized using the balance sheet approach. Deferred tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements.

Deferred tax asset are recognized to the extent that it is probable that taxable profit will be available against which such deferred tax assets can be realised.The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

L. Provisions and Contingencies

Provisions: Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are discounted to its present value as appropriate.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

M. Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

As a lessee:

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognised as an expense on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

N. Financial Instruments

Financial assets and financial liabilities are recognised when a company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

O. Financial Assets

All purchases or sales of financial assets are recognised and derecognised on a trade date basis including delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets

i. Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition) :

a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

b) the contractual terms of the instrument give rise on specified date to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI) (except for debt instruments that are designated as at fair value through profit or loss on initial recognition) :

a) the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the instrument give rise on specified date to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding.

Interest income is recognised in profit or loss for FVTOCI debt instruments. For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income and accumulated under the heading of 'Reserve for debt instruments through other comprehensive income'. When the investment is disposed of, the cumulative gain or loss previously accumulated in this reserve is reclassified to profit or loss.

All other financial assets are subsequently measured at fair value.

ii. Effective interest method

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL. Interest income is recognised in profit and loss and is included in "Other income" .

iii. Financial assets at fair value through profit or loss (FVTPL):

Investments in equity instruments are classified as FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investment in equity instruments which are not held for trading.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet amortised cost criteria or FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduced a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporate any dividend or interest earned on the financial asset and is included in 'Other income'. Dividend on financial asset at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that economic benefits associated with dividend will flow to the entity, the dividend does not represent recovery of part of cost of the investment and the amount of dividend can be measured reliably.

iv. Impairment of financial assets

The company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instrument at FVTOCI, trade receivables, other contractual right to receive cash or other financial asset, and financial guarantees not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate (or credit-Adjusted effective interest rate for purchased or originated credit-impaired financial assets). The company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. 12 month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the company measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the company again measures the loss allowance based on 12 month expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the company uses the change in the risk of a default accruing over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For trade receivables or any contractual right to receive cash or another financials asset that results from transactions that are within the scope of Ind AS 11 and Ind AS 18, the company measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix based on judgement considering past experience.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI expect that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

v. Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flow from the asset expired or when it transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets the Company recognises its retained interest in the asset and then associated liability for amounts it may have to pay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial assets.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of relative fair values of those part on the date of the transfer. The difference between carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that has been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair value of those parts.

vi. Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For foreign currency denominated financial assets measured at amortised cost and FVTPL, the exchange differences are recognised in profit or loss.

Changes in the carrying amount of investments in equity instruments at FVTOCI relating to changes in foreign currency rates are recognised in other comprehensive income.

For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured amortised cost. Thus, the exchange difference on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

Vii. Derivative financial instruments and hedge accounting

In the ordinary course of business, the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange fluctuations. The instruments are confined principally to foreign exchange forward contracts. The instruments are employed as hedges of transactions included in the financial statements or for highly probable forecast transactions/firm contractual commitments. These derivatives contracts do not generally extend beyond six months.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period

The Company adopts hedge accounting for forward and interest rate contracts wherever possible. At the inception of each hedge, there is a formal, documented designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of the risk being hedged. At inception each hedge is expected to be highly effective in achieving an offset of changes in fair value or cash flows attributable to the hedged risk. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at the inception and on an ongoing basis. The ineffective portion of designated hedges is recognised immediately in the statement of profit and loss.

When hedge accounting is applied:

a. for fair value hedges of recognised assets and liabilities, changes in fair value of the hedged assets and liabilities attributable to the risk being hedged, are recognised in the statement of profit and loss and compensate for the effective portion of symmetrical changes in the fair value of the derivatives.

b. for cash flow hedges, the effective portion of the change in the fair value of the derivative is recognised directly in equity and the ineffective portion is taken to the statement of profit and loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a nonfinancial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in the statement of profit and loss in the same period in which the hedged item affects the statement of profit and loss.

In cases where hedge accounting is not applied, changes in the fair value of derivatives are recognised in the statement of profit and loss as and when they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of profit and loss for the period.

P. Financial Liabilities and Equity Instruments

i. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

ii. Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue cost.

iii. Financial liabilities

All financial liabilities are subsequently measured at amoritised cost using effective interest method of FVTPL.

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or designated as at FVTPL.

Financial liability at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in 'Other Income'.

b) Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amount of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expenses that is not capitalised as part of cost of an asset is included in 'finance cost'.

The effective interest method is a method of calculating the amoritised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

c) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instrument and are recognised in other income.

The fair value of financial liabilities denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liability that are measured at FVTPL, the foreign exchange component forms part of fair value gains or losses and is recognised in profit or loss.

iv) Derecognition of financial liabilities

The Company derecognises financial liability when, and only when, the Company obligations are discharged, cancelled and have expired. An exchange between with a lender of debt instrument is substantially different term is accounted for as and extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of a term of existing financial liability is accounted for as and extinguishment of the original financial liability and recognition of new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Q. Recent Accounting Pronouncements

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

Ind AS 115- Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount,timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors.
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach). The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted.

NOTE 3 - CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in note 3, the directors of the company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

2. The company uses the percentage-of-completion method in accounting for its contract revenue. Use of the percentage-of-completion method requires the company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

3. The stock compensation expense is determined based on the Company’s estimate of equity instruments that will eventually vest.

4. Provision for warranty is considered based on the rolling average warranty expense incurred in the preceding 12 months, the warranty period for which ranges from 12 months to 24 months as per provisions of the contracts.

5. In case of Property, plant and equipment, The charge in respect of periodic depreciation is derived after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its life. The useful lives and residual values of company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Notes to the financial statements

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

(Rupees in lakhs)

	31st March 2018	31st March 2017
Carrying amounts of :		
Freehold land	30	30
Buildings	3,941	3,447
Plant and machinery	3,044	2,893
Computers	804	986
Furniture and fixtures	356	359
Office equipments	205	122
Vehicles	2	20
	8,382	7,857
Capital work-in-progress	110	269
	8,492	8,126

(Rupees in lakhs)

	Freehold land	Buildings	Plant and machinery	Computers	Furniture and fixtures	Office equipments	Vehicles	Total
Cost or deemed cost								
Balance at March 31, 2016	**30**	**3,861**	**3,519**	**1,449**	**591**	**192**	**221**	**9,863**
Additions	-	-	495	698	4	20	-	1,217
Disposals / assets written off	-	(4)	(144)	(12)	(47)	(2)	(58)	(267)
Balance at March 31, 2017	**30**	**3,857**	**3,870**	**2,135**	**548**	**210**	**163**	**10,813**
Additions	-	883	950	449	101	124	-	2,507
Disposals / assets written off	-	(238)	(375)	(11)	(15)	-	(93)	(732)
Balance at March 31, 2018	**30**	**4,502**	**4,445**	**2,573**	**634**	**334**	**70**	**12,588**
Accumulated depreciation and impairment								
Balance at March 31, 2016	**-**	**212**	**512**	**496**	**114**	**46**	**114**	**1,494**
Eliminated on disposal / assets written off	-	-	(68)	(10)	(20)	(1)	(50)	(149)
Depreciation expenses	-	198	533	663	95	43	79	1,611
Balance at March 31, 2017	**-**	**410**	**977**	**1,149**	**189**	**88**	**143**	**2,956**
Eliminated on disposal of assets	-	(30)	(117)	(9)	(7)	-	(93)	(256)
Depreciation expenses	-	181	541	629	96	41	18	1,506
Balance at March 31, 2018	**-**	**561**	**1,401**	**1,769**	**278**	**129**	**68**	**4,206**
Carrying Amount								
Balance at March 31, 2017	**30**	**3,447**	**2,893**	**986**	**359**	**122**	**20**	**7,857**
Balance at March 31, 2018	**30**	**3,941**	**3,044**	**804**	**356**	**205**	**2**	**8,382**

Notes to the financial statements

NOTE 5 - INTANGIBLE ASSETS

(Rupees in lakhs)

	31st March 2018	31st March 2017
Computer software	10	24
Product distribution rights HSPL	-	-
	10	24

(Rupees in lakhs)

	Computer software	Product distribution rights HSPL
Cost or deemed cost		
Balance at March 31, 2016	**63**	**-**
Additions	13	-
Disposals	-	-
Balance at March 31, 2017	76	-
Additions	-	-
Disposals	-	-
Balance at March 31, 2018	76	-
Accumulated depreciation and impairment		
Balance at March 31, 2016	**28**	**-**
Depreciation expenses	24	-
Balance at March 31, 2017	52	-
Depreciation expenses	14	-
Balance at March 31, 2018	66	-
Carrying Amount		
Balance at March 31, 2017	**24**	**-**
Balance at March 31, 2018	**10**	**-**

Notes to the financial statements

NOTE 6 - CURRENT INVESTMENTS

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Investment in mutual funds (Unquoted):		
43,42,036 units at NAV of Rs: 100.30 (31st March 2017 : 45,95,073 at NAV of Rs:100.30) in DHFL Pramerica Insta Cash Plus Fund - Direct Plan - Daily Dividend -Reinvestment (previously known as DWS Insta Cash Plus Fund-Direct Plan - Daily Dividend -Reinvestment)	4,355	4,609
3,42,044 units at NAV of Rs: 1000.81 (31st March 2017 :3,66,480 at NAV of RS. 1000.81) in DSP Blackrock Liquidity Fund- Direct Plan - Daily Dividend -Reinvestment	3,422	3,666
Total	**7,777**	**8,275**

NOTE 7 - TRADE RECEIVABLES

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Non-Current		
(a) Secured, considered good	-	-
(b) Unsecured, considered good	854	418
(c) Doubtful	62	28
	916	446
Expected credit loss allowance	(62)	(28)
Total	**854**	**418**
Current		
(a) Secured considered good	-	-
(b) Unsecured, considered good	59,112	50,032
(c) Doubtful	6,302	5,578
	65,414	55,610
Expected credit loss allowance	(6,302)	(5,578)
Total	**59,112**	**50,032**

Notes to the financial statements

The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. This provision matrix is based on judgement considering past experience. The provision matrix at the end of reporting period is as follows:

	Expected credit loss %	
Ageing	**31st March 2018**	**31st March 2017**
0-90 days past due	1.69%	0.07%
More than 90 days past due	36.86%	35.45%

Age of receivables (Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
0-90 days past due	44,753	34,709
More than 90 days past due	15,213	15,741
Total	**59,966**	**50,450**

Movement in the expected credit allowance (Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Balance at beginning of the year	5,606	6,247
Add: Expected credit loss during the year	4,580	3,533
Less: Amounts recovered / reversed in the current year	(3,822)	(4,174)
Balance at the end of the year	6,364	5,606

The concentration of credit risk is limited due to the fact that the customer base is large.

The Composition of trade receivables representing more than 5% of trade receivables are as under:

(Rupees in lakhs)

As at	Number of customers	Outstanding balance
31st March 2018	3	11,675
31st March 2017	2	8,288

NOTE 8 - CASH AND CASH EQUIVALENTS (Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Bank balances		
In current accounts	25,576	26,653
Cheques on hand	463	-
Demand deposits (Original maturity less than 3 months)	39,839	22,422
Total	**65,878**	**49,075**

There are no repatriation restrictions with regards to cash and cash equivalents as at the end of the reporting period and prior periods.

Notes to the financial statements

NOTE 9 - BANK BALANCES OTHER THAN (III) ABOVE

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Other bank balances		
Long term deposits with original maturity more than 3 months but less than 12 months	18,241	8,749
Unpaid dividend account	24	23
Total	**18,265**	**8,772**

NOTE 10 -OTHER FINANCIAL ASSETS

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Non-Current		
Deposits against bank guarantee	1,046	1,823
Security deposits	1,062	887
Total	**2,108**	**2,710**
Current		
Deposits against bank guarantee	917	131
Interest accrued on deposits with banks	840	555
Security deposits [net of allowance Rs.108 Lakhs, (31 st March 2017 Rs. 95 Lakhs)]	263	262
Earnest money deposits [net of allowance Rs. 382 Lakhs, (31 st March 2017 Rs. 295 Lakhs)]	873	1,075
Total	**2,893**	**2,023**

NOTE 11 - INCOME TAX ASSETS (NET)

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Taxes paid in advance less provisions [Net of Provision for tax Rs. 73,828 Lakhs (31st March 2017 Rs. 59,955 Lakhs)]	7,162	5,100
	7,162	**5,100**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	As at 31st March 2018	As at 31st March 2017
Profit before tax	38,123	30,731
Tax expenses	13,150	13,786
Effective tax rate	**34.49%**	**44.86%**
Net impact of deduction/exemption and disallowance	0.12%	-0.78%
Additional tax provision for earlier years arising out of proceedings with the authorities during the current year	0.00%	-9.47%
Tax rate as per Income tax act	**34.61%**	**34.61%**

The applicable Indian statutory tax rate for financial year ended March 31, 2018 and March 31, 2017 is 34.61%.

Notes to the financial statements

NOTE 12 - DEFERRED TAX ASSET (NET)

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Deferred tax liability (A)	68	266
Deferred tax assets (B)	7,734	7,110
Deferred tax assets (Net) (B-A)	**7,666**	**6,844**

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
2017-18				
Deferred tax assets / (liabilities) in relation to				
Depreciation and amortisation	(266)	198	-	(68)
Total	**(266)**	**198**	**-**	**(68)**
Provision for trade and other receivables	2,917	(170)	-	2,747
Provision for estimated cost to complete	726	578	-	1,304
Provision for compensated absences	437	20	-	457
Provision for other expenses	1,572	123	-	1,695
Provision for Gratuity	305	(77)	49	277
Provision for Bonus	755	142	-	897
Others	398	(90)	49	357
Total	**7,110**	**526**	**98**	**7,734**
2016-17				
Deferred tax assets / (liabilities) in relation to				
Depreciation and amortisation	(281)	15	-	(266)
Total	**(281)**	**15**	**-**	**(266)**
Provision for trade and other receivables	3,035	(118)	-	2,917
Provision for estimated cost to complete	733	(7)	-	726
Provision for compensated absences	386	51	-	437
Provision for other expenses	2,290	(718)	-	1,572
Gratuity	194	(156)	267	305
Bonus	590	165	-	755
Others	227	360	(189)	398
Total	**7,455**	**(423)**	**78**	**7,110**

Notes to the financial statements

NOTE 13 - OTHER ASSETS

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Non-current		
Advance rent	125	49
Balances with Government authorities (including payments made under protest)	9,254	7,188
Prepaid expenses	82	57
Total	**9,461**	**7,294**
Current		
Advance rent	60	64
Balances with Government authorities	6,938	5,211
Advances recoverable in cash or kind	647	799
Amounts due from customers under construction contracts (refer note 37 and note below) [Net of Expected Credit loss of Rs. 1,425 Lakhs; (31st March 2017 Rs. 2,361 Lakhs)]	35,039	27,142
Unbilled services [Net of Expected Credit loss of Rs. 72 Lakhs ; (31st March 2017 Rs. 69 Lakhs)]	2,299	1,866
Advances to employees	438	1,603
Prepaid expenses	114	79
Total	**45,535**	**36,764**

<u>Movement in the expected credit allowance on Amounts due from customers under construction contracts</u>

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Balance at beginning of the year	2,361	2,190
Add: Expected credit loss during the year	373	973
Less: Amounts recovered / reversed in the current year	(1,309)	(802)
Balance at the end of the year	1,425	2,361

NOTE 14 - INVENTORIES

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Inventories (lower of cost and net realisable value)		
Raw materials [includes in transit: Rs. 958 lakhs (31st March 2017 : Rs. 965 lakhs)]	4,817	5,754
Work-in progress	292	157
Finished goods	132	314
Stock-in-trade (in respect of goods acquired for trading)	2,736	3,466
Total	**7,977**	**9,691**

The mode of valuation of Inventories is stated in Note 2.(f)

Notes to the financial statements

NOTE 15 - EQUITY SHARE CAPITAL

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Authorised:		
10,000,000 (March 31, 2017: 10,000,000) equity shares of Rs.10 each	1,000	1,000
	1,000	**1,000**
Issued:		
8,841,697 (March 31, 2017: 8,841,697) equity shares of Rs.10 each	884	884
	884	**884**
Subscribed and paid up		
8,841,523 (March 31, 2017: 8,841,523) equity shares of Rs. 10 each (fully paid up)	884	884
Total	**884**	**884**

(a) Rights, preferences and restrictions attached to the shares

Equity shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(b) Reconciliation of shares:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
Balance as at the beginning and end of the year	8,841,523	884	8,841,523	884

(c) Shares held by the holding company

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Equity shares:				
Honeywell Asia Pacific Inc. (Holding company)	6,631,142	663	6,631,142	663

(d) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Percentage	Number of shares	Percentage
Honeywell Asia Pacific Inc. (Holding company)	6,631,142	75	6,631,142	75

e) 6,631,142 (March 31, 2017 : 6,631,142) Equity shares constituting 75% (March 31,2017 : 75%) 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.

f) The Company has neither allotted any shares as fully paid up bonus shares nor pursuant to contract(s) payment being received in cash during 5 years immediately preceding March 31, 2018.

Notes to the financial statements

NOTE 16 - OTHER EQUITY

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Securities Premium Reserves (A)	1,577	1,577
Share based payment reserve (B)	389	277
General Reserve (C)	18,552	18,552
Other comprehensive Income (D)		
Remeasurements of the defined benefit plans (net)	(621)	(496)
Effective portion of cash flow hedge (net)	(56)	-
Retained Earnings (E)	121,143	97,234
Total (A+B+C+D+E)	**140,984**	**117,144**

NOTE 17 - PROVISIONS

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Non Current		
Gratuity and other retirement benefits (Refer note 36)	938	1,019
Provision for Warranty (Refer note 35)	286	249
	1,224	**1,268**
Current		
Compensated absences	1,308	1,263
Gratuity and other retirement benefits (Refer note 36)	1,000	1,000
Provision for Warranty and other potential claims (Refer note 35)	905	1,149
Provision for litigations / disputes (Refer note 35)	1,873	1,569
Provision for estimated cost to complete on contracts (Refer note 35)	3,743	2,111
	8,829	**7,092**

NOTE 18 - TRADE PAYABLES

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Non current		
Trade Payable	179	76
Total	**179**	**76**
Current		
Trade Payables others	76,067	56,871
Trade Payable to Micro Small and Medium Enterprise (refer note 32)	1,011	347
Acceptances	-	26
Total	**77,078**	**57,244**

Notes to the financial statements

NOTE 19 - OTHER FINANCIAL LIABILITIES

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Current		
Unclaimed dividend	24	23
Foreign currency forward contracts designated in hedge accounting relationships	86	-
Creditors for capital goods	578	158
	688	**181**

NOTE 20 - OTHER CURRENT LIABILITIES

(Rupees in lakhs)

	As at 31st March 2018	As at 31st March 2017
Deferred revenue	5,888	3,553
Amount due to customers under construction contract (refer note 37)	4,087	4,779
Advances from customers	326	771
Statutory dues (including Provident Fund and Tax deducted at Source)	3,023	1,902
Other payables	-	254
	13,324	**11,259**

NOTE 21 - REVENUE FROM OPERATIONS (GROSS)

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Manufactured products and jobs	150,531	136,803
Traded products	36,344	30,412
Sale of services	82,821	77,156
Other operating revenue		
Scrap sale	26	46
Refund of taxes and duties	92	55
Total	**269,814**	**244,472**

Notes to the financial statements

NOTE 22 - OTHER INCOME

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Interest income earned on financial assets that are not designated as a fair value through profit and loss account		
i) Bank Deposits	2,103	1,877
ii) Other financial assets carried at amortised cost	69	63
Interest on income tax refund	347	1,152
Liabilities no longer required written back	356	311
Dividend on current investments	352	383
Miscellaneous income	85	17
Total	**3,312**	**3,803**

NOTE 23 - COST OF MATERIALS CONSUMED

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Raw materials consumed		
Opening inventory	5,754	5,522
Add: Purchases (net)	113,400	108,936
Less: Inventory at the end of the year	4,817	5,754
Cost of raw materials consumed	**114,337**	**108,704**

NOTE 24 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
(Increase) / decrease in stock		
Stock at the beginning of the year		
Finished goods	314	794
Work in progress	157	433
Stock-in-trade (in respect of goods acquired for trading)	3,466	3,315
Total (A)	3,937	4,542
Stock at the end of the year		
Finished goods	132	314
Work in progress	292	157
Stock-in-trade (in respect of goods acquired for trading)	2,736	3,466
Total (B)	3,160	3,937
(Increase) / decrease in stock (A-B)	**777**	**605**

Notes to the financial statements

NOTE 25 - EMPLOYEE BENEFIT EXPENSES

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Salaries, wages and bonus	41,517	38,257
Share based payment	112	94
Contribution to Provident and Other Funds (Refer note 36)	2,401	2,048
Staff welfare expenses	944	994
Total	**44,974**	**41,393**

NOTE 26 - FINANCE COST

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Interest (Refer Note 32)	28	26
Total	**28**	**26**

NOTE 27 - OTHER EXPENSES

(Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Power and fuel	905	840
Rent [(Refer note 2 (M) and 30]	2,255	2,252
Rates and taxes	1,312	1,589
Repairs and maintenance		
Plant and machinery	43	53
Others	1,010	890
	1,053	943
Auditors remuneration		
As Auditors	46	46
Others(including tax audit)	12	26
Out of pocket expenses	1	3
	59	75
Travelling and conveyance	22,057	16,702
Communication expenses	583	633
Insurance	92	75
Loss on sale / write off of tangible and intangible assets (net)	424	71
Sales commission	134	268
Professional fees	3,018	2,783
Foreign exchange loss (Net)	450	1,022
Bad debts written off (Net of expected credit loss allowance) (refer note 27.1)	532	307
Customer deductions\claims	464	438
Corporate overhead allocations	10,688	11,011
Expenditure towards Corporate Social Responsibility (Refer note 39)	469	348
Bank Charges	352	249
Miscellaneous expenses	2,140	1,405
Total	**46,987**	**41,011**

Notes to the financial statements

NOTE 27.1 - BAD DEBTS WRITTEN OFF NET OF EXPECTED CREDIT LOSS ALLOWANCE (Rupees in lakhs)

	Year ended 31st March 2018	Year ended 31st March 2017
Bad debts written off	603	654
Expected credit loss allowance	(71)	(347)
Bad debts written off (Net of expected credit loss allowance)	532	307

NOTE 28 - SEGMENT INFORMATION

Information reported to the Chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses only on one business segment i.e. Automation & Control Systems. There are no other reportable segments.

Geographical Information:

The Company operates in two principal geographical areas, viz. India and Others. Revenue by location of operations and information about its non- current assets is given below:

(Rupees in lakhs)

Particulars	Revenue from external customer for the year ended		Non current assets* as at	
	31st March 2018	31st March 2017	31st March 2018	31st March 2017
India	149,731	139,661	8,502	8,150
Other	120,083	104,811	-	-
Total	**269,814**	**244,472**	**8,502**	**8,150**

* Property, Plant and Equipment and Intangibles used in the Company's business have not been identified to "India" or "Other", as they are used interchangeably.

The Company generates more then 10% of the revenue only from Honeywell group.

Notes to the financial statements

NOTE 29 - RELATED PARTY DISCLOSURE :

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

i)	**Parties where control exists**	
	Honeywell Asia -Pacific Inc., Holding company Honeywell International Inc., Ultimate holding company	
	Other related parties with whom transactions have taken place during the year:	
ii)	**Fellow Subsidiaries**	
	Honeywell Middle East B.V. Honeywell Technology Solutions Qatar Honeywell Tianjin Limited Honeywell Life Safety AS Honeywell B.V. Honeywell & Co. Oman L.L.C. Honeywell Pte Ltd. Honeywell Automation & Control Solutions South Africa (Pty) Ltd. Honeywell Kuwait K.S.C. Automation and Control Solutions, S. de R.L. de C.V. Honeywell Europe N.V. Honeywell Systems (Thailand) Ltd. Honeywell Ltd. (Hong Kong) Enraf B.V. Honeywell Technology Solutions Lab Pvt. Ltd. Pittway Systems Technology Group Europe Ltd. Honeywell Taiwan Inc. Honeywell Life Safety AS Honeywell Building Solutions Gmbh Novar Systems Ltd. Honeywell Middle East FZE Honeywell Controls International Ltd. Tridium Inc. Honeywell Limited (New Zeland) Honeywell Austria Gesellschaft mbh Honeywell A.B. Matrikon Pty Ltd. Trend Control Systems Ltd. Honeywell (China) Advanced Solutions Co. Ltd. Honeywell Southern Africa (Proprietary) Ltd. Honeywell Japan Inc. Honeywell Angola Lda Honeywell E.P.E. HONEYWELL LIMITED Honeywell S.A. [France] HONEYWELL TEKNOLOJI A.S MK Electric (Malaysia) SDN BHD Intermec Technologies (S) Pte Ltd Honeywell Hometown Solutions India Foundation Honeywell Trading (Shanghai) Co. Ltd. UOP Limited	Honeywell International (India) Private Limited Honeywell Limited Australia Honeywell Limited Honeywell Enraf Americas, Inc. Honeywell Measurex (Ireland) Limited Honeywell Turki-Arabia Limited Honeywell Controls System Limited Honeywell International Middle East Ltd. MST Technology GMBH Honeywell Security France S.A. Honeywell GMBH Honeywell S.A. (Belgium) Honeywell Airport Systems Gmbh Honeywell s.r.l. UOP India Private Limited Honeywell Engineering Sdn. Bhd. Honeywell Co., Ltd. (Korea) Honeywell S.L. Honeywell Portugal, Automacao e Contolo, S.A. Honeywell Automation & control Solutions Carribean Ltd. Honeywell AS Norway Honeywell OY Matrikon Middle East Co WLL Honeywell Environmental & Combustion Controls (Tianjin) Co., Ltd. Honeywell International s.a.r.l. Honeywell Sensing & Control China Co, Ltd. Honeywell Technologies SARL Honeywell AG Matrikon Inc. Honeywell NV [Belgium] Honeywell S.A.I.C. Eclipse Combustion (Pvt.) Ltd. Elster GmbH Elster Metering Private Limited Elster Solutions GmbH Energy ICT N.V. Honeywell Teknoloji Anonim Sirketi (Previously: Honeywell Otomasyon ve Kontrol Sistemleri Sanayi ve Ticaret A.S.) Metrologic Asia (Pte) Ltd Xtralis Pty Ltd

Notes to the financial statements

	Other related parties with whom transactions have taken place during the year:	
	Honeywell Fire Systems LLC Life Safety Germany GmbH Honeywell Automotive de Mexico, S.A. de C.V. Honeywell A/S (Denmark) Automation And Control Solutions Limited PT Honeywell Indonesia Life Safety Distribution AG Enraf Tanksystem AG Honeywell Analytics Ltd. Sinpoec Honeywell Tianjin Ltd. ZAO Honeywell Maxon Corporation Honeywell ASCa Inc. Maxon Combustion Equipment (Shanghai) Co. Ltd. Maxon International BVBA BW Technologies Partnership Inncom International Inc Bryan Donkin RMG Gas Controls Ltd. Honeywell, S.L. [Spain] Honeywell Iraq LLC Saia-Burgess Controls AG Honeywell spol. s.r.o. [Slovak Republic] Integrated Technical Innovation Company for General Services & Trade Honeywell Specialty Chemicals (Singapore) Pte. Ltd. Honeywell Taiwan Limited Honeywell, S.A. de C.V. Mercury Instruments LLC RMG Messtechnik GmbH Honeywell China co. Ltd. Honeywell Iraq Company for Technology Solutions and Services Ltd. Honeywell Chile S.A. Intelligrated Systems LLC Eclipse Combustion Equipment (Suzhou) Co. Ltd. Honeywell Algerie S.a.r.l. Matrikon Europe Limited	Honeywell International Services S.r.l. HSM Technology LLC Honeywell HBS Solutions LLC UOP L.L.C. Honeywell Aerospace B.V. Honeywell Turbo Technologies (India) Private Limited Honeywell Electrical Devices and Systems India Pvt. Ltd. Honeywell do Brasil Ltda. Honeywell Egypt Limited Honeywell EOOD Matrikon International, Inc. Novar Gmbh Honeywell Integrated Technology (China) Co Ltd. Ademco Asia Pacific Ltd. Tridium Asia Pacific Pte Ltd. Honeywell Building Solutions SES Corporation Honeywell Romania s.r.l. Honeywell Marine SAS Honeywell Europe Services S.A.S. Honeywell Automation and Control Soluitons West Africa Limited Honeywell Automation Controls System LLP (Kazakhstan) Honeywell (Macau) Limited KAC Alarm Company Limited Elster Water Metering Limited Honeywell Sp. z o.o. Honeywell Szabályozástechnikai Kft. Honeywell spol. s.r.o. [Czech Republic] Honeywell Technology Solutions Inc. Matrikon Business Systems Inc. Novar ED&S Limited Salisbury Electrical Safety L.L.C. Honeywell Gas Technologies GmbH Honeywell spol. s.r.o. Honeywell Resins & Chemicals LLC Elster Holdings US, Inc. Honeywell Automation Control Solutions (China) Co. Ltd. Movilizer GmbH EnviteC-Wismar GmbH
iii)	**Key Management Personnel**	
	Mr. Vikas Chadha, Managing Director [Resigned w.e.f. July 31, 2016 (close of business hours)] Mr. Ashish Gaikwad, Managing Director [Appointed w.e.f. October 1, 2016] Mr. Anurag Bhagania, CFO [Resigned w.e.f. June 26, 2016 (close of business hours)] Mr. R Ravichandran, CFO [Appointed w.e.f. June 27, 2016] Ms. Sangeet Hunjan, Company Secretary [Resigned w.e.f. November 24, 2016 (close of business hours)] Ms. Farah Irani, Company Secretary [Appointed w.e.f. May 16, 2017]	

Notes to the financial statements

(Rupees in lakhs)

Transactions with Related Parties	Volume of transactions for year ended		Amount outstanding as at			
Description of the nature of transactions	**31st March 2018**	**31st March 2017**	**31st March 2018**		**31st March 2017**	
			Receivable	**Payable**	**Receivable**	**Payable**
Sale of goods, services and reimbursement of expenses						
Holding Company						
Honeywell International Inc.	23,243	18,941	1,242	-	1,402	-
Total	**23,243**	**18,941**	**1,242**	**-**	**1,402**	**-**
Fellow Subsidiaries						
Honeywell Ltd. (Australia)	3,262	3,998	328	-	1,229	-
Honeywell Turki-Arabia Limited	15,199	15,262	2,532	-	1,915	-
Honeywell Middle East B.V.	10,827	9,649	363	-	2,337	-
Honeywell Co., Ltd. (Korea)	4,102	9,510	1,890	-	859	-
Other Fellow Subsidiaries	43,843	37,642	11,000	-	6,939	-
Total	**77,233**	**76,061**	**16,113**	**-**	**13,279**	**-**
Purchase of goods, services and fixed assets (including GIT)						
Holding Company						
Honeywell International Inc.	13,619	14,035	-	2,023	-	653
Total	**13,619**	**14,035**	**-**	**2,023**	**-**	**653**
Fellow Subsidiaries						
Honeywell Measurex (Ireland) Limited	12,977	18,371	-	3,346	-	1,604
Honeywell International (India) Private Limited	9,814	7,755	-	1,455	-	985
Other Fellow Subsidiaries	19,440	19,771	-	6,866	-	1,265
Total	**42,231**	**45,897**	**-**	**11,667**	**-**	**3,854**

Remuneration to Key Management Personnel

(Rupees in lakhs)

	Year ended	
	31st March 2018	**31st March 2017**
Short term benefits	323	312
Post-employment benefits	18	11
Other long-term benefits	20	14
Share-based payments	62	50
Termination benefits	-	-

The Company generates a large percentage of its sales and profits from its business with the Honeywell group (Honeywell), its major shareholder. Sales to Honeywell group accounted for approximately 37% and 39% of our total net sales for the year ended March 31, 2018 and year ended March 31, 2017 respectively. The Company's ability to maintain or grow its business with Honeywell depends upon a number of performance factors. However, the Company cannot be assured that its level of sales and profits associated with its relationship with Honeywell will continue. Honeywell-specific business considerations (independent of its shareholding in the Company), including changes in Honeywell's strategies regarding utilization of alternate opportunities available to it to source products and services currently provided by the Company (including from alternate sources which Honeywell may acquire or develop within its own group), may also reduce the level and/or mix of Honeywell's business with the Company.

Notes to the financial statements

NOTE 30 - LEASE TRANSACTIONS:

As a Lessee in Operating Lease

Rentals for office premises, land, building under operating leases of Rs. 2,255 ('lakhs) [Previous period Rs. 2,252 ('lakhs)] have been included under Rent Expense.

Non-Cancellable

The Company has hired premises under non-cancellable operating lease arrangements at stipulated rentals. The future minimum lease payments under these leases as of March 31, 2018 are as follows:

	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years
Minimum lease payments	1,529	5,384	2,157
	(1,576)	(3,940)	(872)

Previous year figures are indicated in brackets.

NOTE 31 - EARNING PER SHARE (EPS):

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

	For the year ended	
	31st March 2018	31st March 2017
Profit after tax (Rs. in lakhs)	24,973	16,945
Weighted average number of equity shares	8,841,523	8,841,523
Basic / Diluted earnings per share (Rs.)	282.45	191.65
Face value per share (Rs.)	10	10

Notes to the financial statements

NOTE 32- DISCLOSURE IN ACCORDANCE WITH SECTION 22 OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

(Rupees in lakhs)

Sr No	Particulars	31st March 2018	March 31, 2017
i)	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting period		
	- Principal amount outstanding	1,011	347
	- Interest thereon	28	26
ii)	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting period	-	-
	- Interest paid in terms of Section 16	-	-
	- Delayed principal payments	13	40
iii)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006		
	- Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms and not as payable under the Act	-	-
	- Normal Interest payable during the year, for the period of delay in making payment, as per the agreed terms and not as payable under the Act.	-	-
iv)	The amount of interest accrued and remaining unpaid at the end of each accounting period		
	- Total interest accrued during the period	28	26
	- Total Interest remaining unpaid out of the above as at the balance sheet date	28	26
v)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.		
	Outstanding interest at the end of current year	184	156
	Outstanding interest at the end of previous year	156	130

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

Notes to the financial statements

NOTE 33 - SHARE BASED PAYMENTS
Employee share option plan of the company

Honeywell International Inc (HII), the ultimate holding company, may grant stock options and restricted stock awards to certain employees under its stock incentive plan.

Stock Options—The exercise price, term and other conditions applicable to each option granted under the stock plans are generally determined by the Management Development and Compensation Committee of the Board of Honeywell International Inc. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock on that date. The fair value is recognized as an expense over the employee's requisite service period (generally the vesting period of the award). Options generally vest over a four-year period and expire after ten years.

Restricted Stock Units—Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain employees as compensation at fair market value at the date of grant. RSUs typically become fully vested over periods ranging from three to seven years and are payable in Honeywell common stock upon vesting.

Fair value of share options granted in the year

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on common stock of HII and historical volatility of common stock of HII. Monte Carlo simulation model is used to derive an expected term which represents an estimate of the time options are expected to remain outstanding. Such model uses historical data to estimate option exercise activity and post-vest termination behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant.

The inputs used in the measurement of the fair values at grant date of the Stock options were as follows.

Grant Date	27-Feb-18	28-Feb-17	25-Feb-16	26-Feb-15	27-Feb-14
Exercise price	$ 155.39	$ 124.99	$ 103.07	$ 103.31	$ 93.44
*Exercise price in equivalent INR	10,127	8,146	6,717	6,733	6,089
Expected volatility	18.93%	18.96%	23.07%	21.55%	23.07%
Option life	4.95	5.04	4.97	4.96	4.99
Dividend yield	2.49%	2.81%	2.92%	1.98%	2.05%
Risk-free interest rate	2.71%	2.02%	1.29%	1.61%	1.48%
Fair value per share	$ 23.65	$ 16.65	$ 15.59	$ 17.21	$ 16.35
Fair value per share in equivalent INR*	1,541	1,085	1,016	1,122	1,066

* converted into INR using exchange rate 65.17

Notes to the financial statements

The following share-based payment arrangements were in existence during the current and previous year :

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Equivalent fair value INR*
Restricted stock option						
2011	1,000	25-Jul-14	NA	NA	$ 89.80	5,852
2011	700	31-Jul-15	NA	NA	$ 98.28	6,405
2011DIV	670	25-Feb-16	NA	NA	$ 103.65	6,755
2011DIV	590	26-Feb-15	NA	NA	$ 103.90	6,771
2016	2,000	29-Jul-16	NA	NA	$ 106.79	6,960
2016DIV	2,000	29-Jul-16	NA	NA	$ 115.78	7,545
2016DIV	320	28-Feb-17	NA	NA	$ 124.99	8,146
2016DIV	1,300	27-Jul-17	NA	NA	$ 137.53	8,963
2016DIV	300	27-Feb-18	NA	NA	$ 155.39	10,127
Stock options						
2011	2,611	26-Feb-15	25-Feb-25	103.31	$ 17.21	1,122
2011	1,500	27-Feb-14	26-Feb-24	93.44	$ 16.35	1,066
2011	4,000	25-Feb-16	24-Feb-26	103.07	$ 15.59	1,016
2016	2,200	28-Feb-17	27-Feb-27	124.99	$ 16.65	1,085
2016	2,100	27-Feb-18	26-Feb-28	155.39	$ 23.65	1,541

* converted into INR using exchange rate 65.17

Movements in Restricted Stock Units during the year	Restricted Stock Units	
	2017-18	2016-17
	No of Units	No of Units
Balance at beginning of year	7,277	5,272
Granted during the year	1,600	4,320
Forfeited during the year	-	-
Vested and issued during the year	1,198	2,315
Expired during the year	-	-
Balance at end of year	7,679	7,277

Notes to the financial statements

Movements in share options during the year	Employee stock option plan			
	2017-18		2016-17	
	No of Options	Weighted average exercise price	No of Options	Weighted average exercise price
Balance at beginning of year	10,311	118.45	10,500	100.97
Granted during the year	2,100		2,200	
Forfeited during the year	-		-	
Exercised during the year	2,579		2,389	
Expired during the year	-		-	
Balance at end of year	9,832		10,311	

Restricted Stock Units vested and issued during the year

	Number Settled	Issue date
2011DIV	594	26-Feb-18
2011	604	25-Jul-17

NOTE 34 - CONTINGENT LIABILITIES AND COMMITMENTS

A) Contingent liabilities

(Rupees in lakhs)

	Particulars	31st March 2018	31st March 2017
a)	Income tax liability that may arise in respect of matters in appeal	9,647	8,342
b)	Excise duty claims against the Company	51	75
c)	Sales tax liability that may arise in respect of matters in appeal	4,101	8,643
d)	Customs duty claims against the Company	187	262
e)	Third party Claims against the Company not acknowledged as debts	3,226	3,498

Note: It is not practicable for the Company to estimate the timing of cash outflow, if any, in respect of the above pending resolutions of the respective proceedings.

B) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) - Rs. 211 (‘lakhs) [31st March 2017 Rs. 281(‘lakhs)]

Notes to the financial statements

NOTE 35 - DISCLOSURE AS REQUIRED BY IND AS -37

(Rupees in lakhs)

	Year ended 31st March	Opening balance	Additions	Utilizations	Reversals	Total
Disputed statutory matters (A)	2018	1,569	304	-	-	1,873
	2017	1,000	569	-	-	1,569
Provision for warranty (B)	2018	1,399	859	(791)	(276)	1,191
	2017	953	1,039	(694)	101	1,399
Provision for estimated cost to complete on contracts (C)	2018	2,111	2,761	(509)	(620)	3,743
	2017	2,236	739	(243)	(621)	2,111
Total	2018	5,079	3,924	(1,300)	(896)	6,807
	2017	4,189	2,347	(937)	(520)	5,079

A Disputed statutory matters mainly include:

a) Provision for disputed statutory matters comprises matters under litigation with Sales Tax and Local authorities.

b) 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.

c) The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.

B Warranty

Provision for warranty is considered based on the rolling average warranty expense incurred in the preceding 12 months, the warranty period for which ranges from 12 months to 24 months as per provisions of the contracts.

C Provision for Estimated Cost to complete on Contracts

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

NOTE 36 - EMPLOYEE BENEFIT PLANS

A Defined contribution plans

The company has recognized the following amounts in the statement of profit and loss for the period.

(Rupees in lakhs)

Sr no	Particulars	31st March 2018	31st March 2017
1	Contribution to employees' superannuation fund	83	87
	Total	**83**	**87**

Notes to the financial statements

B Defined benefit plans (gratuity and other retirement benefits)

The Company also provides for gratuity, covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

Provident Fund contributions are made to a Trust administered by the Company for its qualifying employees. This defined benefit plans is administered by separate trust that is legally separated from the entity. The board of the trust is required by law and by its trust deed to act in the interest of the fund and of all the relevant stakeholders in the scheme; i.e. active employees, inactive employees, retirees, employers. The board of the fund is responsible for the investment policy with regard to the assets of the fund.

The Principal assumptions used for the purposes of the actuarial valuations were as follows:

Sr.No.	Particulars	31st March 2018	31st March 2017
1	Discount rate	7.65%	6.95%
2	Yield on asset based on the Market Value	8.09%	7.43%
3	Rate considered for actuarial valuation for PF interest shortfall	8.65%	8.65%
4	Salary escalation rate	8.00%	8.00%

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

Total expense recognised in the statement of Profit and loss Account

(Rupees in lakhs)

Sr. No.	Particulars	For the year ended	
		31st March 2018	31st March 2017
1	Current service cost	652	503
2	Past service cost	-	-
3	Net Interest cost	128	59
	Component of defined benefit costs recognised in profit or loss	**780**	**562**
4	Remeasurement of defined benefit liability :		
5	Return on plan assets (excluding amounts included in net interest expenses)		
6	Actuarial (gain) / losses arising from changes in demographic assumptions	-	(88)
7	Actuarial (gain) / losses arising from changes in financial assumptions	(378)	1,043
8	Actuarial (gain) / losses arising from changes in experience adjustments	612	(193)
9	Return on plan assets (greater) / less than discount rate	(71)	9
10	Adjustments for restriction on defined benefit asset		-
	Component of defined benefit costs recognised in other comprehensive income	**163**	**771**
	Total	**943**	**1,333**

The current service cost and the net interest expenses for the year are included in 'Employee benefits expense' in the statement of profit and loss.
The remeasurement of the net defined benefit liability is included in other comprehensive income.

Notes to the financial statements

Movements in the present value of the defined benefit obligation are as follows.

(Rupees in lakhs)

Sr. No.	Particulars	For the year ended	
		31st March 2018	31st March 2017
1	Present value of obligation as at beginning of the year	5,027	3,894
2	Current service cost	652	503
3	Interest cost	337	248
4	Remeasurement (gains)/losses:		
	Actuarial (gain) / losses arising from changes in demographic assumptions	-	(88)
	Actuarial (gain) / losses arising from changes in financial assumptions	(378)	1,043
	Actuarial (gain) / losses arising from changes in experience adjustments	611	(193)
5	Curtailment cost/(credit)	-	-
6	Settlement cost/(credit)	-	-
7	Benefits paid	(519)	(380)
8	Present value of obligation as at end of the year	5,730	5,027

Movements in the fair value of the plan assets are as follows.

(Rupees in lakhs)

Sr. No.	Particulars	For the year ended	
		31st March 2018	31st March 2017
1	Fair value of plan assets as at beginning of the year	3,008	2,487
2	Interest income	-	-
3	Remeasurement gain/(loss)	71	(9)
4	Expected return on plan assets	209	189
5	Employers' contribution	1,002	700
6	Benefits payment from plan asset	(498)	(359)
7	Fair value of plan assets as at end of the year	3,792	3,008

Amount recognized in the Balance Sheet (for gratuity and other retirement benefits) including a reconciliation of the present value of defined benefit obligation and the fair value of assets.

(Rupees in lakhs)

Sr. No.	Particulars	31st March 2018	31st March 2017
1	Present value of funded obligation	5,730	5,027
2	Fair value of plan assets	3,792	3,008
3	Net liability recognized in the Balance Sheet	1,938	2,019

Notes to the financial statements

Amount recognized in the Balance Sheet (for provident fund) including a reconciliation of the present value of defined benefit obligation and the fair value of assets.

(Rupees in lakhs)

Sr. No.	Particulars	31st March 2018	31st March 2017
1	Present value of funded obligation	21,129	16,646
2	Fair value of plan assets	21,417	17,433
3	Net liability	(288)	(787)

Note - There is a net surplus position in PF valuation and however as per the PF trust act, no surplus can be transferred to the company as it is separate from the company, the company would not be accounting for any amount in its books in this position.

Sensitivity Analysis

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation (PVO) and aids in understanding the uncertainty of reported amounts.

1. Sensitivity analysis for each significant actuarial assumptions viz. Discount rate and Salary escalation rate as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes is called out in the table above.
2. The assumptions used in preparing the sensitivity analysis is

   Discount rate at +100bps and – 100 bps

   Salary escalation rate at +100 bps and -100 bps
3. The method used to calculate the liability in these scenarios is by keeping all the other parameters and the data same as in the base liability calculation except for the parameters to be stressed .
4. There is no change in the method from the previous period and the points/percentage by which the assumptions are stressed are same as that in the previous year.

Impact of change in discount rate when base assumption is decreased/increased by 100 basis point.

(Rupees in lakhs)

Discount rate	March 31, 2018 Present value of Obligation	March 31, 2017 Present value of Obligation
a) Discount rate -100 basis point	6,286	5,546
b) Discount rate +100 basis point	5,254	4,581

Impact of change in salary increase rate when base assumption is decreased/increased by 100 basis point

(Rupees in lakhs)

Salary escalation rate	31st March 2018	31st March 2017
a) Salary escalation rate -100 basis point	5,254	4,581
b) Salary escalation rate +100 basis point	6,279	5,531

In presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognied in the Balance sheet.

Notes to the financial statements

Percentage of each category of plan assets to total fair value of plan assets

Sr. No.	Particulars	31st March 2018	31st March 2017
1	Insurer managed funds	100%	100%

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.

The actual return on plan assets is as follows

(Rupees in lakhs)

Sr. No.	Particulars	For the year ended	
		31st March 2018	31st March 2017
a	Actual return on plan assets	280	180

A note on other risks

Investment risk: The funds are invested with an external insurer (LIC of India). The insurer manages the Gratuity Fund and provides quarterly interest returns. Considering LIC is a state insurer with a sovereign guarantee and no history of defaults the investment risk is not significant.

Interest Risk: The Gratuity fund managed by an external insurer (LIC of India) is in the form of cash accumulation scheme with interest rates declared annually – A significant fall in interest (discount) rates may not be offset by an increase in value of Gratuity Fund, hence may pose an interest rate risk.

Longevity Risk: Since Gratuity is paid at retirement in form of lump sum and also during service at the time of termination to vested members, longevity risk is not applicable since maximum duration for benefit is till retirement age.

Salary Risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Expected future cash flow of defined benefit obligation:

(Rupees in lakhs)

Year	Amount
Year -1	465
Year -2	465
Year -3	411
Year -4	491
Year -5	484
Years 6 to 10	2,374

Notes to the financial statements

NOTE 37- CONTRACTS IN PROGRESS

(Rupees in lakhs)

	Particulars	31st March 2018	31st March 2017
a)	Aggregate amount recognized as contract revenue	109,639	93,844
b)	In respect of Contracts in Progress		
	i. Aggregate amount of contract costs incurred and recognized profits (less recognized losses) as at end of the financial period for all contracts in progress up to as at that date.	334,458	316,734
	ii. Amount of customer advances received	82	382
	iii. Amount of retentions	1,653	365
c)	Gross amount due from customers for contract work	35,039	27,142
d)	Gross amount due to customers for contract work	4,087	4,779
e)	(c) - (d)	**30,952**	**22,363**

NOTE 38 - FINANCIAL INSTRUMENT

Categories of financial instrument

(Rupees in lakhs)

	31st March 2018	31st March 2017
Financial assets		
Measured at Fair Value through Profit or Loss (FVTPL)		
(i) Investment in mutual funds (Basis of Valuation : Level -1 described in Note 2. B)	7,777	8,275
Measured at amortised cost		
(i) Trade Receivables	59,966	50,450
(ii) Cash and cash equivalents	65,878	49,075
(iii) Bank balances other than (iii) above	18,265	8,772
(iv) Other financials assets		
(a) Deposits against bank guarantee	1,963	1,954
(b) Interest accrued on deposits with banks	840	555
(c) Security deposits	1,325	1,149
(d) Earnest money deposits	873	1,075
Financial Liabilities		
Measured at amortised cost		
(i) Trade payables	77,257	57,320
(ii) Other financials Liabilities		
(a) Creditors for capital goods	578	158
(b) Unclaimed dividend	24	23
Measured at Fair Value through Other Comprehensive Income		
(i) Other financials Liabilities		
(a) Foreign currency forward contracts designated in hedge accounting relationships (Basis of Valuation : Level -1 described in Note 2.B)	86	-

Notes to the financial statements

Financial risk management objectives

Company is exposed to foreign exchange risk on account of import risk and hedging activities; and export transactions which is monitored periodically. The Company leverages the global treasury operations of Honeywell to improve mitigation of risk relating to foreign exchange.

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The carrying amounts of the companies foreign currency denominated monentary assets and monentary liabilities at the end of the reporting period are as follows:

Unhedged by derivative instruments / or otherwise (Rupees in lakhs)

Particulars	31st March 2018	31st March 2017
a) Liability - Trade Creditors		
In GBP	4	4
(Equivalent approximate in Rs.)	411	356
In USD	223	176
(Equivalent approximate in Rs.)	14,542	11,414
In EURO	29	14
(Equivalent approximate in Rs.)	2,376	968
In CAD	1	1
(Equivalent approximate in Rs.)	52	28
In AUD	1	0
(Equivalent approximate in Rs.)	38	3
In JPY	12	61
(Equivalent approximate in Rs.)	7	35
In SGD	-	-
(Equivalent approximate in Rs.)	-	-
In CNY	110	78
(Equivalent approximate in Rs.)	1,134	731
In CHF	-	-
(Equivalent approximate in Rs.)	9	13
In NOK	-	-
(Equivalent approximate in Rs.)	-	-
In ZAR	-	-
(Equivalent approximate in Rs.)	-	-
In THB	2	1
(Equivalent approximate in Rs.)	5	2

Notes to the financial statements

In RUB	1	1
(Equivalent approximate in Rs.)	1	1
In AED	-	-
(Equivalent approximate in Rs.)	6	-
In MYR	-	-
(Equivalent approximate in Rs.)	-	-
In IDR	55	-
(Equivalent approximate in Rs.)	-	-
In BDT	14	-
(Equivalent approximate in Rs.)	11	-
In SAR	2	-
(Equivalent approximate in Rs.)	38	-
In PHP	-	7
(Equivalent approximate in Rs.)	-	9
In DZD	5	-
(Equivalent approximate in Rs.)	3	-
In RON	-	-
(Equivalent approximate in Rs.)	1	-
b) Asset - Trade Receivables		
In GBP	-	1
(Equivalent approximate in Rs.)	26	49
In EURO	5	3
(Equivalent approximate in Rs.)	422	204
In USD	274	256
(Equivalent approximate in Rs.)	17,879	16,597
c) Asset - Bank Balances		
In USD	395	357
(Equivalent approximate in Rs.)	25,764	23,130

*Amount below the rounding off norm adopted by the company

Foreign currency exchange rate risk:

The fluctuation in foreign currency exchange rates may have potential impact on the income statement and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the company. Considering the countries and economic environment in which the company operates, its operation are subject to risks arising from fluctuations in exchange rates in those countries. The risk primarily relate to U.S. Dollars against the functional currency of Honeywell Automation India Limited.

Notes to the financial statements

The company, as per its Hedging policy, uses forward contracts to hedge foreign exchange exposure. The company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using forward contractcs in accordance with its risk management policies.

The company uses forward exchange contracts to hedge its exposure in foreign currency. The information on derivative instruments is as follows :

Particulars	As At	Bought / Sold	Currency	Amount in foreign Currency (Lakhs)	Amount in Rs. (Lakhs)
Foreign Exchange contracts	March 31,2018	Sold	USD/INR	236	15,541
	March 31,2017	NA	NA	Nil	Nil

The Table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet

(Amount in USD lakhs)

	31st March 2018	31st March 2017
Not Later than one month	29	NA
Later than one month but not later than three months	43	NA
Later than three month but not later than one year	164	NA

Foreign currency sensitivity analysis

The Company is exposed mainly to the fluctuation in the value of USD and EURO. The following table details the company sensitivity to a 5% increase and decrease in functional currency against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monentary items and adjust there translation at the period end for a 5 % change in foreign currency rate.

	31st March 2018	31st March 2017
USD Impact		
5% Appreciation in USD		
Impact on profit or loss for the year {Gain/(Loss)}	1,457	1,416
Impact on total equity as at the end of the reporting period	1,457	1,416
5% Depreciation in USD		
Impact on profit or loss for the year {Gain/(Loss)}	(1,457)	(1,416)
Impact on total equity as at the end of the reporting period	(1,457)	(1,416)
EURO Impact		
5% Appreciation in EURO		
Impact on profit or loss for the year {Gain/(Loss)}	(85)	(38)
Impact on total equity as at the end of the reporting period	(85)	(38)
5% Depreciation in EURO		
Impact on profit or loss for the year {Gain/(Loss)}	77	38
Impact on total equity as at the end of the reporting period	77	38

Notes to the financial statements

Credit risk management

Credit risk refers to the risks that a counterparty may default on its contractual obligations resulting in financial loss to the Company. The Company deals only with credit worthy counterparties and takes appropriate measures to mitigate the risk of financial loss from defaults. Trade receivable consists of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facility and by continuously monitoring forecasts and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

NOTE 39

As set out in section 135 of the Companies Act, 2013 the Company is required to contribute / spent Rs. 469 lakhs towards Corporate Social Responsibility activities, as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the current year, the Company has spent Rs. 469 lakhs (previous year Rs. 348 lakhs including Rs.9 lakhs toward administration cost).

NOTE 40

The financial statements were approved for issue by the board of directors on May 14, 2018. The Board of Directors have recommended dividend of Rs. 32 per equity share for the financial year ended March 31, 2018 (previous year ended March 31, 2017: Rs. 10 per equity share) for approval of shareholders. The face value of the equity share is Rs. 10 each.

For and on behalf of the Board

Suresh Senapaty
Chairman

Ashish Gaikwad
Managing Director

Farah Irani
Company Secretary

R Ravichandran
Chief Financial Officer

Place : Pune
Date : May 14, 2018