

Dear Members,

The Directors present the **THIRTY SIXTH ANNUAL REPORT** with the audited financial statements of the Company for the financial year ended March 31, 2020.

Key highlights of financial performance of your Company for the financial year 2019-20 are provided below:

### 1. FINANCIAL RESULTS:

(INR in lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019	Year on Year Change
<b>Sales &amp; Other Income</b>	<b>338,766</b>	<b>324,561</b>	4%
Operating profit	73,400	57,426	28%
Less: Interest	687	348	97%
Less: Depreciation	4,058	1,589	155%
Profit before tax for the year	68,655	55,489	24%
Less: Income tax and deferred tax expenses	19,507	19,605	0%
<b>Profit after tax for the year</b>	<b>49,148</b>	<b>35,884</b>	37%
Profit brought forward from the previous year	153,616	121,143	27%
<b>Profit available for appropriations</b>	<b>202,764</b>	<b>157,027</b>	29%

Revenue from operations registered a growth of 3.6%, Profit before tax is 20.9% of revenue from operations as compared to 17.5% in previous year. Exports revenue decreased over previous year by 1.3%. This growth was achieved despite competitive challenges on pricing and COVID -19 pandemic.

### 2. DIVIDEND:

Payment of final dividend @ INR 75/- per equity share of face value of INR 10/- each was recommended by the Board of Directors at their meeting held on May 22, 2020 (Previous Year: INR 45/- per equity share). The dividend, if approved by the Members at the ensuing Annual General Meeting, will result in a total cash pay-out of INR 6,631 lakhs. Your Company is in compliance with its Dividend Distribution Policy as approved by the Board.

The closing balance of the retained earnings of the Company for FY 19-2020, after all appropriation and adjustments was INR 197,967 Lakhs.

### 3. OPERATIONS:

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

### 4. INDUSTRY OUTLOOK:

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

**5. HONEYWELL OPERATING SYSTEM (HOS):**

Your Company continues to be focused on Honeywell Operating System (HOS) which encompasses end-to-end business system institutionalisation to enable and sustain exceptional growth along with productivity improvements through Total Customer Experience, New Product Introduction, Order to Cash and Integrated Business Planning. The foundation of HOS is Lean/Six Sigma, Order to Cash, Velocity Product Development, Agile CMMI, Honeywell User Experience, Commercial Excellence and Working Capital.

The Pune Fulgaon Factory and Global Services are at Silver level. Your Company is aspiring for higher level of HOS maturity allowing them to be competitive by improving Total Customer Experience through demonstrating agility of a small company and benefits of the scale of larger organisation, excellence in Key Business Processes, Functional Transformation and Foundational initiatives.

**6. HUMAN RESOURCES:**

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

Your Company deploys a Labour and Employment Relations framework which elicits feedback in our factory and supports action planning to drive engagement at all levels in the organisation.

As on March 31, 2020, the Company's employee strength was 3,310 as compared to 3,251 (full-time employees) as on March 31, 2019. The women employee represents 17.2% of our workforce. The Company is fully compliant with the prevailing law namely Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**7. DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

During the period under review and till date of this Report, the following changes have taken place in the composition of the Board of Directors:

1. Resignation of Mr. Vikas Chadha (DIN:06624266) and Mr. Brian Buffington (DIN:08060965) (Non-Executive Directors) with effect from close of business hours on October 21, 2019 as they moved to a different role within Honeywell Group Company. The Board places on record its appreciation of the valuable contribution made by Mr. Vikas Chadha and Mr. Brian Buffington during their tenure as Directors.
2. Appointment of Mr. Akshay Bellare (DIN:07914236) and Mr. Ashish Modi (DIN:07680512) (Additional Directors) with effect from October 22, 2019 subject to the approval of shareholders at the forthcoming Annual General Meeting. Necessary resolution for appointment of Mr. Akshay Bellare and Mr. Ashish Modi as Directors has been included in the Notice convening the AGM, and the details of the proposal are mentioned in the Annexure to AGM Notice. The Board recommends appointment of Mr. Akshay Bellare and Mr. Ashish Modi as Directors.
3. Expiration of tenure of Mr. N. Srinath (DIN:00058133) as an Independent Director effective close of business hours as on December 14, 2019 (from December 15, 2014 to December 14, 2019). The Board places on record its appreciation of the valuable contribution made by Mr. N. Srinath during his tenure as a Director.
4. Resignation of Ms. Nisha Gupta (DIN:02331771) (Director) with effect from close of business hours on May 12, 2020 due to other professional commitments. The Board places on record its appreciation of the valuable contribution made by Ms. Nisha Gupta during her tenure as a Director.

5. Appointment of Mr. Davies Walker (DIN: 08737978) (Additional Director) with effect from May 13, 2020 subject to the approval of shareholders at the forthcoming Annual General Meeting. Necessary resolution for appointment of Mr. Davies Walker has been included in the Notice convening the AGM, and the details of the proposal are mentioned in the Annexure to AGM Notice. The Board recommends appointment of Mr. Davies Walker as a Director.

As per the provisions of the Companies Act, 2013, Mr. Ashish Gaikwad (DIN: 07585079) retires by rotation at the forthcoming AGM, and, being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

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

#### **8. BOARD MEETINGS:**

During the financial year under review, the Board of Directors of your Company duly met five times on May 13, 2019; August 9, 2019; October 25, 2019; February 3, 2020 and February 4, 2020. The intervening period between two Board meetings was well within the maximum gap of 120 days as prescribed under the provisions of the Companies Act, 2013.

Details of attendance at the Board Meetings is provided in the Corporate Governance Report, which forms part of this Annual Report

#### **9. COMMITTEES OF BOARD:**

The Company's Board has the following committees as per the requirements of the Listing Regulations and Companies Act, 2013:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Corporate Social Responsibility Committee
4. Stakeholders Relationship Committee
5. Risk Management Committee

Details of terms of reference of the Committees, Committee membership and attendance at meetings are provided in the Corporate Governance Report, which forms part of this Annual Report.

#### **10. DECLARATION BY INDEPENDENT DIRECTORS:**

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

#### **11. BOARD EVALUATION:**

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

The outcome of the Board evaluation was discussed by the Nomination & Remuneration Committee and at the Board Meeting held on February 3, 2020 and improvement areas were discussed as well as reviewed the agreed action plan of previous year.

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

**12. CODE OF CONDUCT COMPLIANCE:**

The declaration signed by the Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the financial year ended March 31, 2020 is given in Report on Corporate Governance, which forms a part of this Annual Report.

**13. CORPORATE SOCIAL RESPONSIBILITY:**

Your Company remains committed to making the world a better place and expanding community outreach. As part of its initiatives under Corporate Social Responsibility (CSR), the Company, in partnership with leading non-profit institutions, has developed effective programmes to address the needs in the communities it serves. The Annual Report on CSR activities, in accordance with Section 135 of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time, is annexed herewith as "Annexure - 1" and a copy of the CSR Policy is also available on the Company's website at the following link: <https://www.honeywell.com/content/dam/honeywell/files/india-hail/policies/corporate-social-responsibility-policy.pdf>

**14. AUDITORS:****Statutory Audit:**

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, Deloitte Haskins & Sells LLP (Firm Registration No.117366W/W-100018) were appointed as the Statutory Auditors for a period of 5 years to hold office from the conclusion of the Annual General Meeting (AGM) of the Company held on July 21, 2015, subject to ratification of their appointment at every subsequent AGM. A resolution seeking ratification of their appointment till the 36<sup>th</sup>AGM was approved at the Annual General Meeting held on August 6, 2018.

Pursuant to the recommendation by the Audit Committee and subject to approval of members at the 36<sup>th</sup> Annual General Meeting of the Company, the Board recommends the re-appointment of Deloitte Haskins & Sells LLP (FRN: 117366W/W-100018), Chartered Accountants as Statutory Auditors of the Company for a term of 5 years from the conclusion of the 36<sup>th</sup> Annual General Meeting (AGM) up to the conclusion of the 41<sup>st</sup> Annual General Meeting of the Company. The details of the proposed remuneration is provided in the Notice of the 36<sup>th</sup> AGM.

**Statutory Auditors' Report:**

There are no qualifications, reservations or adverse remarks made by Deloitte Haskins & Sells LLP (Firm Registration No.117366W/W-100018), Statutory Auditors, in their report for the financial year ended March 31, 2020. The Notes on financial statements referred to in the Auditors' Report are self-explanatory.

Pursuant to provisions of section 143 (12) of the Companies Act, 2013, the Statutory Auditors have not reported any incident of fraud to the Audit Committee during the year under review.

**Cost Audit:**

In terms of the provisions of Section 148 and other applicable provisions of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, Cost Audit was applicable to your Company for the financial year 2019-20. The Cost Audit Report for the financial year ended March 31, 2020 is due to be filed by September 27, 2020.

In terms of the provisions of Section 148 and other applicable provisions of the Companies Act, 2013, read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, Cost Audit is applicable to your Company for the financial year 2020-21. The Board of Directors at its meeting held on May 22, 2020 pursuant to recommendation of the Audit Committee, appointed C S Adawadkar & Co., as the Cost Auditor for the financial year ending March 31, 2021 at a remuneration of INR 6,65,000/- plus GST and re-imbursalment of out-of-pocket expenses. The remuneration is placed before the Annual General Meeting for ratification of the members.

The Company has maintained the cost accounts and records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 for the financial year ended March 31, 2020.

**Secretarial Audit:**

In terms of the provisions of Section 204 of the Companies Act, 2013 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company appointed Bokil Punde & Associates, Practising Company Secretaries as Secretarial Auditors of the Company for the financial year 2019-20. The report of the Secretarial Auditors is enclosed as "Annexure - 2" to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

**15. RELATED PARTY TRANSACTIONS:**

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

**16. RISK MANAGEMENT:**

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

**17. COMPANY POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION:**

The Company policy on Directors' appointment and remuneration and other matters as provided in Section 178(3) of the Companies Act, 2013 is available on the website of the Company <https://www.honeywell.com/en-us/global/en-in/hail>

**18. WHISTLE BLOWER POLICY / VIGIL MECHANISM:**

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

**19. INTERNAL FINANCIAL CONTROLS:**

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

**20. HOLDING COMPANY:**

During the financial year under review, the Company is a subsidiary of HAIL Mauritius Limited, the ultimate holding Company being Honeywell International Inc. USA. The Company does not have any Joint Venture(s) or Associate Company(s) or Subsidiary Company(s).

**21. TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND**

As required under Section 124 of the Companies Act, 2013, the unclaimed dividend lying with the Company for a period of seven years pertaining to the financial year ended December 31, 2011, amounting to INR 257,500/- was transferred during the year 2019, to Investor Education and Protection Fund established by the Central Government.

Pursuant to the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Second Amendment Rules, 2017, for the dividend declared for the financial year ended December 31, 2012, the Company

had dispatched the communication individually to the concerned shareholders whose equity share(s) were liable to be transferred to IEPF under the rules for taking appropriate action(s). The Company had also issued public notice in newspapers as required under the IEPF Rules. The Company had uploaded the full details of such shareholders and shares due for transfer to IEPF on its Company's website at the following link:

<https://www.honeywell.com/content/dam/honeywell/files/india-hail/unclaimed-dividends/Unclaimed-Shares-for-Transfer-to-IEPF-as-on-February-2020.pdf>. The full details of shareholders and shares transferred to IEPF in the years 2017, 2018 and 2019 is available on the Company's website at the following link: <https://www.honeywell.com/en-us/global/en-in/hail>.

Members who have not encashed the dividend warrant(s) so far for the financial year ended December 31, 2012 or any subsequent years are requested to make their claim by emailing the signed documents at [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com) on or before August 21, 2020 and courier/post the original signed documents at the Company(s) Registered office or to the Office of the Registrar and Transfer Agents: TSR Darashaw Consultants Pvt. Ltd. (previously TSR Darashaw Ltd.), 6-10 Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400011. It shall be noted that once the dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.

## 22. PARTICULARS OF EMPLOYEES:

A statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in "Annexure 7" forming part of this Report. As per the first proviso to Section 136(1) of the Act, the Annual Report is being sent to the members excluding the aforesaid annexure. The said information is available for inspection at the registered office of the Company during working hours. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

The ratio of the remuneration of each Director to the median employee's remuneration and other details prescribed in Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are attached to this Report as "Annexure 4" - Statement of Disclosure of Remuneration.

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

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

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

No complaint on sexual harassment was received by the Company during the financial year under review.

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

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

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

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

**26. SIGNIFICANT AND MATERIAL ORDERS:**

There are no significant and material orders during the financial year ended March 31, 2020 passed by the regulators or courts or tribunals impacting the going concern status and Company's operations.

**27. DEPOSITS:**

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet in accordance with the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 and amendments thereto.

**28. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE:**

Information required under Section 134 of the Act read with Rule 8 (3) of the Companies (Accounts) Rules, 2014, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is included in "Annexure 5".

**29. MANAGEMENT DISCUSSION & ANALYSIS / CORPORATE GOVERNANCE REPORT:**

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

**30. EXTRACT OF ANNUAL RETURN:**

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12 (1) of the Companies Management and Administration) Rules, 2014, an extract of the annual return in Form No. MGT-9 is annexed herewith as "Annexure 6". The Annual Return of the Company as required under the Companies Act, 2013, will be available on the website of the Company at <https://www.honeywell.com/en-us/global/en-in/hail>

**31. LEGAL COMPLIANCE REPORTING:**

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

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

**32. CORPORATE GOVERNANCE REPORT:**

Your Company believes in adopting best practices of corporate governance.

As per regulation 34 of the Listing Regulations, a separate section on corporate governance practices followed by your Company, together with a certificate from J B Bhavé & Co., Company Secretaries, on compliance with corporate governance norms under the Listing Regulations, is provided in Corporate Governance Report which forms a part of this Annual Report.

**33. DIRECTORS' RESPONSIBILITY STATEMENT:**

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

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2020 and of the profit for the year April 1, 2019 to March 31, 2020;
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a going concern basis;
- e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**34. COMPLIANCE WITH SECRETARIAL STANDARDS:**

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

**35. DIVIDEND DISTRIBUTION POLICY:**

The SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 read with Notification dated July 8, 2016 mandate formulation of a dividend distribution policy by Top 500 listed entities based on market capitalisation. In compliance with the Regulation, the Company has formulated a dividend distribution policy prescribing the parameters for the dividend distribution. The policy is also available on the Company's website at the following link: <https://www.honeywell.com/content/dam/honeywell/files/india-hail/policies/dividend-distribution-policy.pdf>.

**36. BUSINESS RESPONSIBILITY REPORT:**

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

**37. ACKNOWLEDGMENT:**

The Board of Directors would like to place on record its appreciation and thanks to all its employees for their contribution. The Board also places on record its appreciation of the valuable contributions made by Mr. N. Srinath, Mr. Vikas Chadha, Mr. Brian Buffington and Ms. Nisha Gupta during their tenure as Directors. The Board wishes to acknowledge the support it has received from its shareholders, investors, customers, vendors, regulatory authorities and bankers.

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

Pune, May 22, 2020

**Suresh Senapaty**  
Chairman

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