

IT'S MORE THAN JUST OIL.  
IT'S LIQUID ENGINEERING.™



Castrol India Limited  
Annual Report 2012



**Board of Directors****Non-Executive Directors****Chairman**

S. M. Datta

**Directors**

R. Gopalakrishnan

R. Hewins

U. Khanna

S. Mukundan

P. Weidner

A. Moore – *Alternate to R. Hewins*

**Executive Directors****Chief Operating Officer**

R. Kirpalani

**Directors**

S. Vaidya

B. Kamath

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**Company Secretary**

A. H. Mody

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**Bankers**

Deutsche Bank

HDFC Bank Ltd.

The Hongkong & Shanghai Banking Corporation Ltd.

State Bank of India

Citibank N.A.

DBS Bank Ltd.

J P Morgan Chase Bank N.A.

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**Solicitors & Advocates**

Crawford Bayley & Co.

Dhru & Co.

Udwadia Udeshi & Argus Partners

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**Auditors**

S. R. Batliboi & Co.

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**Registered Office**

Technopolis Knowledge Park

Mahakali Caves Road, Andheri (East)

Mumbai 400 093.

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**Share Department**

TSR Darashaw Private Limited

Unit: Castrol India Limited

6-10, Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road,

Mahalaxmi, Mumbai 400 011.

# STRONG BRANDS



Castrol Power1 supported rider from San Carlo Honda Gresini team, Alvaro Bautista, was in India, to promote the Castrol Power1 'Ride to MotoGP' campaign



Castrol Activ was relaunched with unique Actibond™ molecules that provide continuous protection even when the engine is off



Castrol Power1 supported Grand Indian Road Trip (GIR) reached out to bikers across the country. Seen in the picture are the GIR bikers along with Castrol Power1 brand ambassador John Abraham (third from right)

# STRONG BRANDS



A unique mobile mechanic training unit incorporating multimedia technology was launched to engage with car mechanics and showcase the superior technology of Castrol Magnatec

**TAKE THE MAGNATEC TOUCH TEST**

**FEEL ME**

WITH CASTROL MAGNATEC MOLECULES

WITHOUT CASTROL MAGNATEC MOLECULES

IT'S MORE THAN JUST OIL. IT'S LIQUID ENGINEERING.

Castrol Magnatec

CASTROL MAGNATEC. INSTANT PROTECTION FROM THE MOMENT YOU TURN THE KEY.

Castrol

Castrol Magnatec was relaunched with a refreshed brand proposition of 'Instant protection from the moment you turn the key'



All cars in the prestigious Volkswagen R Polo Cup, are powered by Castrol EDGE - our strongest oil ever. Seen in the picture (from left to right) are Ramesh Kannan, Key Account Manager and Anupam Shome, Senior Manager, both from Castrol India, with one of the participants



**GTX Suraksha Ke Saath Jeet Pakki**

Castrol GTX

WHEELS, LAMP, PHONE, BATTERY

Assured cash coupon up to Rs. 50/- • 350 Exciting Gifts to be won!

• No cash offer applicable on sales prices of GTX 200W-50, GTX 300W-50 and GTX 500W • Coupon under the wheel, inside the pack • Offer available till stock lasts

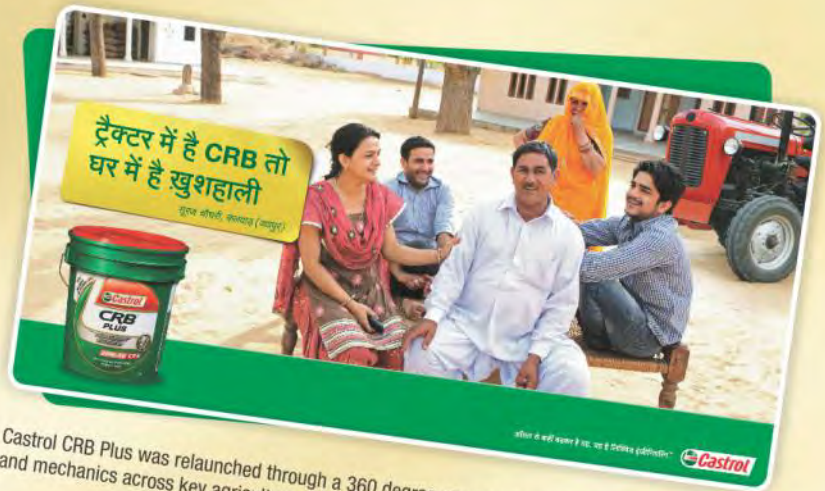
IT'S MORE THAN JUST OIL. IT'S LIQUID ENGINEERING. Castrol

'Win with GTX', a mechanic offer, was launched through market activation and mechanic meets

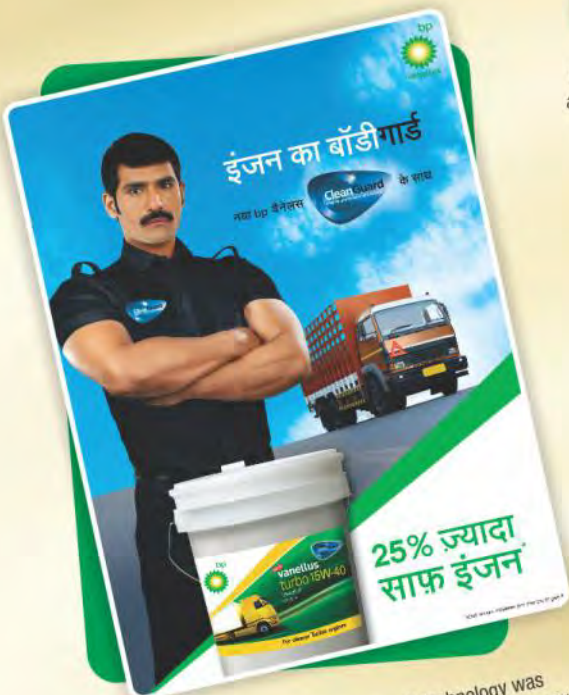
# STRONG BRANDS



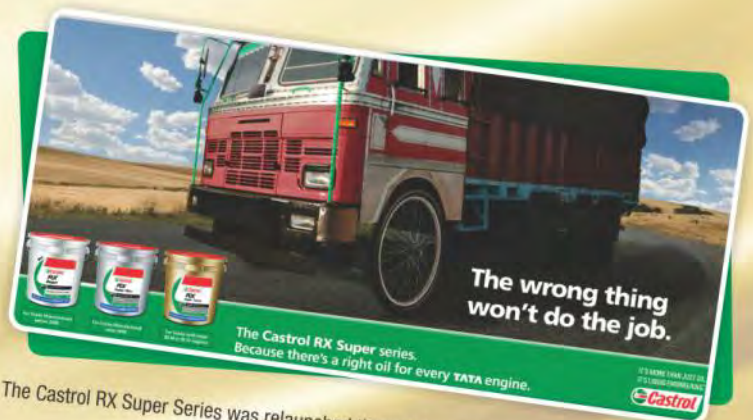
Castrol CRB Turbo was relaunched with Durashield™ Boosters, delivering up to two times longer engine life



Castrol CRB Plus was relaunched through a 360 degree campaign reaching out to tractor owners and mechanics across key agriculture markets



BP Vanellus Turbo with 'Cleanguard' technology was aggressively promoted and was well received by consumers



The Castrol RX Super Series was relaunched through below the line market activation

# REACHING OUT



Over 6,000 non-franchised motorcycle workshops have been enrolled as Castrol Bike Points across India, offering customers access to advanced lubricant technology and world-class products



Castrol Pitstop, Express Car Maintenance centres, have been set up for discerning consumers looking for quick, value for money and trustworthy maintenance



Castrol has made a strong foray into the rural market by setting up Castrol Sub-distributors (CSDs) to ensure easier availability and closer connect with rural consumers



Castrol Points, exclusive outlets selling Castrol and BP branded lubricants, have been set up across the country



Castrol products are available across the country through over 90,000 retail outlets

# ENDURING PARTNERSHIPS



Castrol conducted a technology day for Ford engineers to showcase the pioneering Castrol technology. Picture on left shows Ravi Kirpalani, Automotive Director & COO, Castrol India (on left) and Tom Chackalackal, Executive Director - Manufacturing, Ford India, inaugurating the Ford Technology Day. Picture above shows the Castrol team that delivered the event



Castrol Professional was introduced at the Audi Twin Cup, a contest for Audi's service and technical personnel. Picture shows (left to right) Gaurav Kapoor, Key Account Manager, OEM business, Castrol India; Gurpreet Bhatia, VP - B2B, Castrol India; Michael Perschke, Head, Audi India; Dietmar Hildebrandt, Director Group Service - Volkswagen and Anupam Shome, Senior Manager, OEM business, Castrol India



Tata Motors and Castrol India signed a Safety MOU to jointly work on safety initiatives. Picture shows (left to right) Sanjeev Garg, Global Head - Customer support, CVBU, Tata Motors; Gurpreet Bhatia, VP - B2B, Castrol India; Ravi Pisharody, Executive Director, CVBU, Tata Motors and Karl Szym, MD, Tata Motors

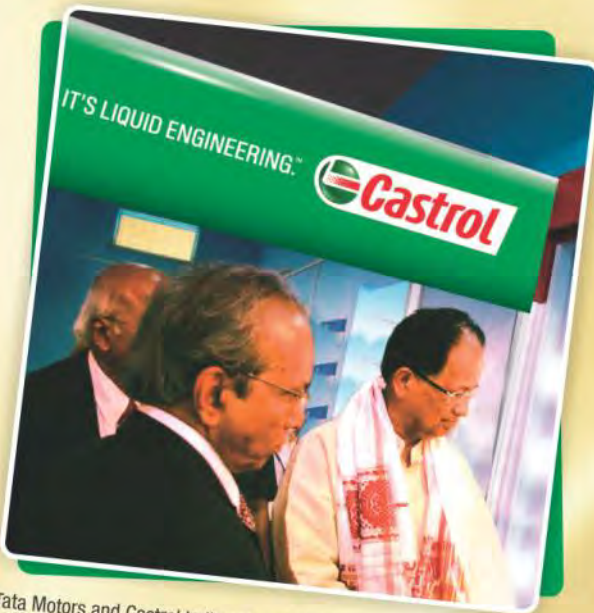


Charles Stroud, Head of After Sales, Skoda India (extreme right); C Prasanth, General Manager, Workshop, Castrol India (centre) and Anupam Shome, Senior Manager, OEM business, Castrol India showcasing the support material designed by Castrol India for Skoda workshops

# ENDURING PARTNERSHIPS



Maruti Suzuki completed a successful audit of Castrol's Silvassa plant. Picture shows Maruti Suzuki and Castrol team members who participated in the audit



Tata Motors and Castrol India set up a Castrol Learning Centre at the Industrial Training Institute at ITI Nagaon, Assam, to impart training in lubricants. Picture shows Shri Tarun Gagoi, Hon'ble Chief Minister of Assam (on right) and SP Joshi, the then Head, Customer Services, Tata Motors



Gerhard Pretorius, Head After Sales, Audi India (on right) and Gurpreet Bhatia, VP - B2B, Castrol India, at the Volkswagen training academy, where Castrol help set up the interactive technology demonstration kits



Castrol EDGE and Jaguar joined hands to create a grand cricket experience for Jaguar customers in Mumbai. Picture shows (from left to right) Gurpreet Bhatia, VP - B2B, Castrol India; Rohit Suri, VP, Premier Car Division, Tata JLR India; Alistair Cook, Captain of England cricket team; Jenny Smith, Sponsorship Manager, Jaguar; Graeme Swann, English international cricketer; Sourav Ganguly, ex-Indian cricket captain; Ravi Kirpalani, Automotive Director & COO, Castrol India and Simon Meehan, Global OEM Brand Director, Castrol



Castrol's Industrial team and ACE Micromatic Machine tools renewed their strategic alliance. Picture shows TK Ramesh, CEO, ACE Micromatic (fourth from right) and M Hariprakash, Castrol Industrial Sales Director, India & Thailand (fifth from left) along with their colleagues



# PIONEERING TECHNOLOGY



Castrol's R&D centre in Mumbai is now the Global Product Development centre for two-wheeler oils. Picture shows the technology team with Ravi Kirpalani, Automotive Director & COO, Castrol India (front row, third from left) and Charles Cameron, Head of Technology, Refining & Marketing, BP Group (front row, fourth from left)



# WINNING WITH CRICKET



As the official performance partner of 2012 ICC Twenty20 World Cup, Castrol engaged audiences through exciting events and match viewing experiences. Picture on right shows Mr. S.M. Datta, Chairman, Board of Directors, Castrol India (extreme right) and Mrs. Datta, with cricketer Muttiah Muralitharan. Picture below shows cricketer VVS Laxman felicitating Castrol dealer



Winners of Castrol Ke Anmol Ratn Jai Ho ICC20 Campaign contest had the opportunity to interact with Sachin Tendulkar at an exclusive event in Mumbai



The Castrol Awards for Cricketing Excellence were given away at a star studded ceremony held in Bengaluru. Picture shows award winners with Ravi Kirpalani, Automotive Director & COO, Castrol India (fourth from right)

# AWARDS & ACCOLADES



Castrol India Packaging team received two prestigious awards from INDIASTAR 2012 for excellence in packaging. Picture shows the team receiving the awards from Thomas Schneider, President, World Packaging Organization



Castrol India was recognized as the top Indian company in the Specialty Oils and Lubricants sector at the Dun & Bradstreet - Rolta Corporate Awards. Picture shows Sujit Vaidya, Director, Finance, Castrol India (second from right), receiving the award from Shri Kapil Sibal, Hon'ble Minister of Communications & Information Technology



Castrol Power1 campaign - 'Powering Biking in India' - won a global award for Innovative Digital Marketing Solutions by the Internationalist. Picture shows Kedar Apte, Motorcycle Engine Oil Space Manager, Castrol India (on right) with Ruchi Kaushal, Brand Manager, Castrol Power1



Castrol's Paharpur plant won the Gold Award for outstanding achievement in Environment Management at the 13<sup>th</sup> Annual Greentech Environment Awards 2012. Picture shows Manpreet Singh, Production Executive (extreme left) and AV Rajesh, Works Manager (extreme right) from Paharpur plant, receiving the award from AK Hazarika, Director Onshore (Retd), ONGC Limited (second from right)



Castrol's Patalganga Plant received Certificate of Merit from National Safety Council, for Meritorious Performance in Industrial Safety. Picture shows Manoj Lavania, Plant Manager (third from left), with his team

# PASSIONATE PEOPLE



Castrol India Finance team at their annual conference



Cricketing legend Sachin Tendulkar, the then brand ambassador for Castrol, visited the Castrol India Head Office in Mumbai during a staff Sunday. Picture shows the maestro with staff members



Castrol India's football team was Runners-up in the MNC Category at the Standard Chartered Corporate Soccer League in Mumbai. Picture shows the winning team receiving the trophy



Castrol India Heavy Duty team at their annual conference

# DRIVE FOR SAFETY



Castrol India held a Logistics Contractors' meet in Mumbai to engage with transporters and warehouse contractors. Picture on left shows Michael Omahoney, VP, S&OR Lubricants (in centre) felicitating Naveen Gupta (on right) and Satya Burla, transport contractors, in acknowledgement of their safety commitment. Picture on right shows Bijay Kamath, Director, Supply Chain, Castrol India (on right), handing over a safety memento to R P Singh - one of the contractors



Proud winners of the Driving Safety awards from Eastern Region seen with Biresh Singh, Regional Sales Manager (extreme left); Ravi Kirpalani, Automotive Director & COO (third from left) and Nagendra Pai, Head, Sales Development and Customer Management (extreme right) - all from Castrol India



Sunil Aima, VP - Sales, B2C, Castrol India (on left) handing over the Castrol Driving Safety award to Rushikesh Masurekar, Retail Specialist, West



C Prasanth, General Manager, Workshops (second from left), handing over a Safety Award to Vasanth Rao, Retail Specialist, South. Others in picture include Sunil Aima, VP - Sales, B2C (extreme left); KS Kumar, VP Human Resources (second from right) and Vipul Sethi, General Manager, Sales (extreme right)



Proud winners of the Driving Safety awards from Northern Region seen with Sunil Aima, VP - Sales, B2C (fourth from left); Rajeev Govil, General Manager, Sales (fifth from left) and Binu Chandy, General Manager, Sales Operations (fourth from right) - all from Castrol India

# FORCE FOR GOOD



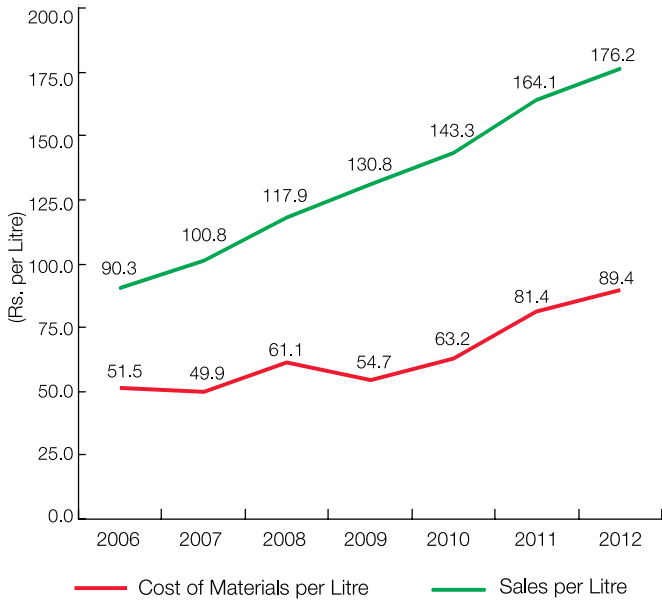
Castrol India staff and their families ran the Mumbai marathon to raise funds for the girl child, supporting two NGO's - Nanhi Kali and Think Foundation. Picture shows some of the team members before the start of the event

## एरावरपुत्र

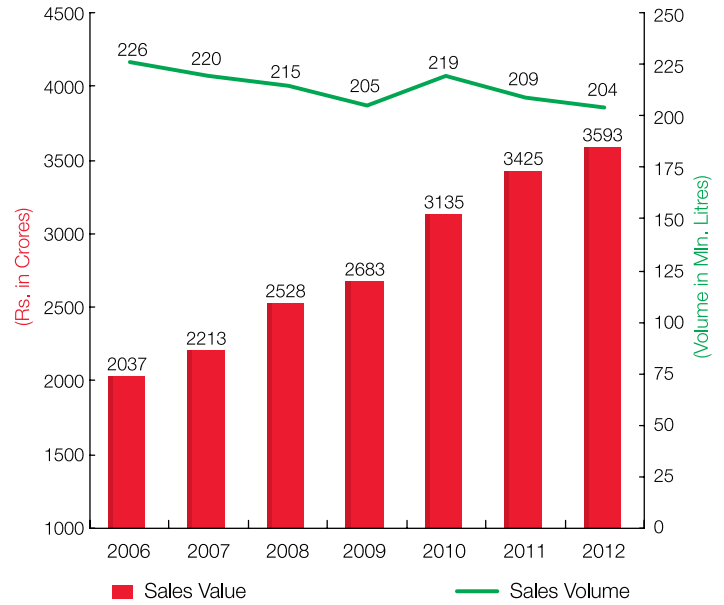


Eklavya, Castrol India's Social Investment program for two-wheeler mechanics was launched in 2009 and has trained over 100,000 two-wheeler mechanics to date

**COST OF MATERIALS AND SALES PER LITRE**

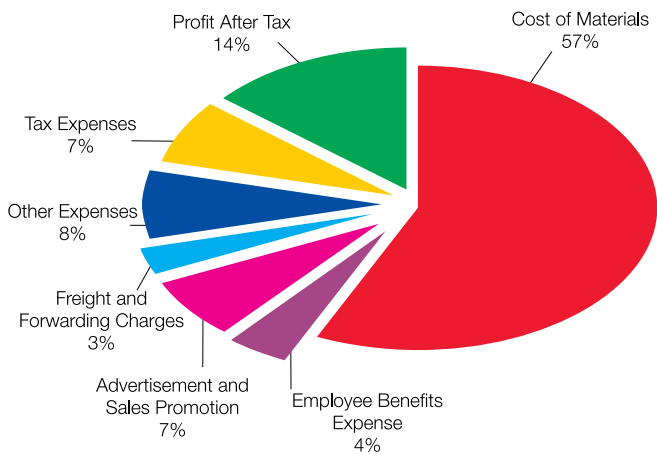


**SALES**

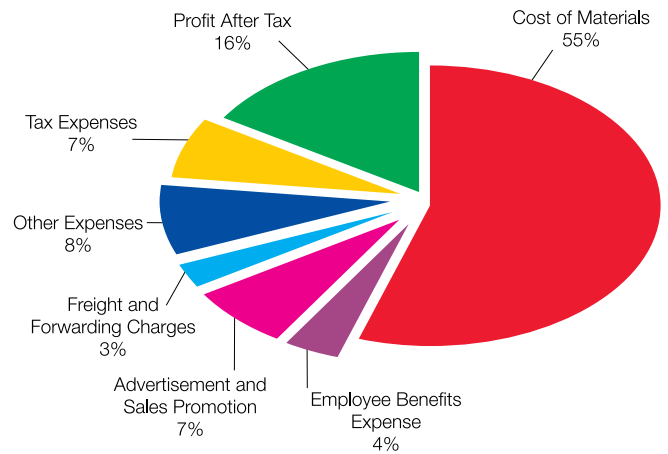


**UTILISATION OF INCOME**

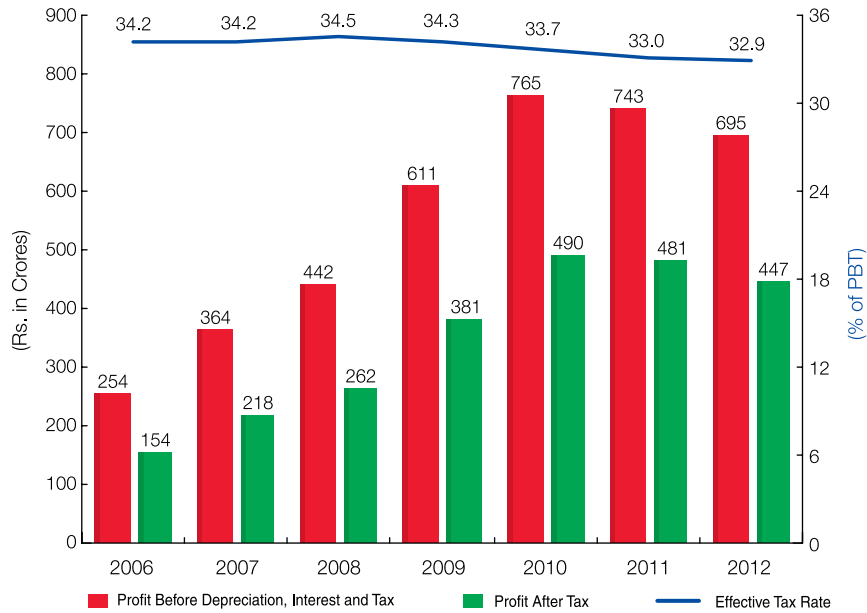
**2012**



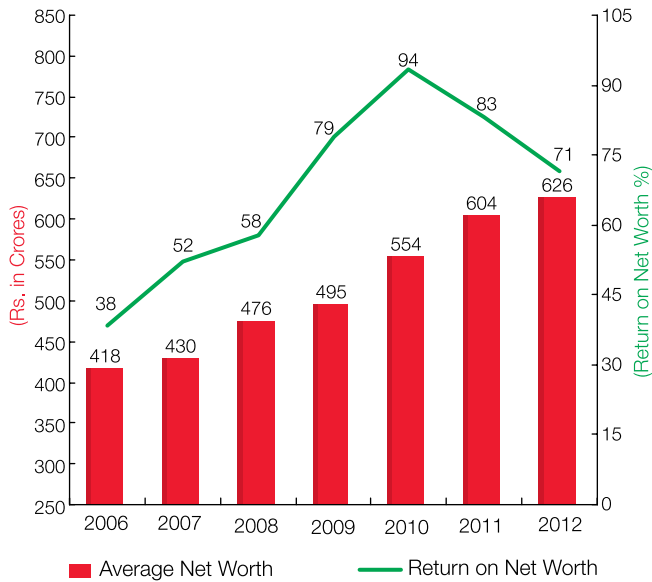
**2011**



PROFIT AND EFFECTIVE TAX RATE

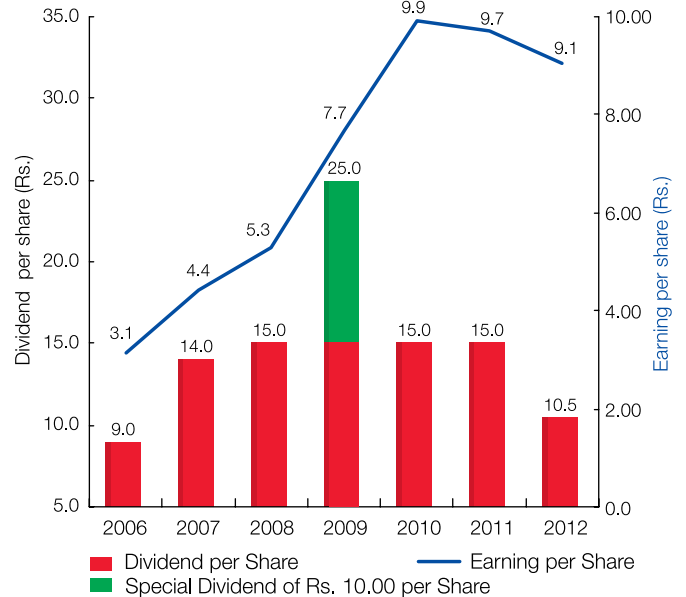


RETURN ON NET WORTH†



† Computed on average Net Worth during each year

DIVIDEND AND EARNING PER SHARE\*



\* Earning per equity share for all years has been re-calculated after considering the effect of bonus shares in 2010 and 2012.



## FINANCIAL HIGHLIGHTS

| Particulars                                                           | 2012             | 2011     | 2010     | 2009     | 2008     | 2007     | 2006     |
|-----------------------------------------------------------------------|------------------|----------|----------|----------|----------|----------|----------|
|                                                                       | Rupees in Crores |          |          |          |          |          |          |
| Revenue from Operations (Gross)                                       | <b>3,605.38</b>  | 3,439.23 | 3,146.88 | 2,695.05 | 2,542.60 | 2,223.14 | 2,049.49 |
| Less: Excise Duty                                                     | <b>484.52</b>    | 445.96   | 403.97   | 367.04   | 326.01   | 328.22   | 286.18   |
| Revenue from Operations (Net)                                         | <b>3,120.86</b>  | 2,993.27 | 2,742.91 | 2,328.01 | 2,216.59 | 1,894.92 | 1,763.31 |
| Other Income                                                          | <b>72.18</b>     | 73.09    | 31.35    | 26.25    | 30.92    | 28.18    | 23.48    |
| Cost of Materials                                                     | <b>1,824.27</b>  | 1,694.49 | 1,384.67 | 1,123.78 | 1,313.09 | 1,097.68 | 1,163.14 |
| Employee Benefits and Other Expenses                                  | <b>673.98</b>    | 629.13   | 625.88   | 620.11   | 494.48   | 462.51   | 371.39   |
| Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) | <b>694.79</b>    | 742.74   | 763.71   | 610.37   | 439.94   | 362.91   | 252.26   |
| Finance Costs                                                         | <b>1.83</b>      | 1.68     | 1.54     | 2.39     | 2.06     | 2.29     | 2.01     |
| Depreciation and Amortisation Expense                                 | <b>26.64</b>     | 25.11    | 24.33    | 27.18    | 25.68    | 20.78    | 18.01    |
| Profit Before Tax                                                     | <b>666.32</b>    | 715.95   | 737.84   | 580.80   | 412.20   | 339.84   | 232.24   |
| Current Tax                                                           | <b>227.78</b>    | 255.44   | 251.09   | 206.83   | 151.00   | 139.94   | 85.24    |
| Deferred Tax                                                          | <b>(8.85)</b>    | (19.13)  | (2.49)   | (7.80)   | (8.60)   | (23.56)  | (5.72)   |
| Fringe Benefit Tax                                                    | —                | —        | —        | 0.71     | 5.75     | 5.56     | 3.62     |
| Short/(excess) Provision of Tax relating to earlier years             | —                | (1.39)   | (1.07)   | —        | 1.68     | (0.53)   | (5.39)   |
| Profit After Tax                                                      | <b>447.39</b>    | 481.03   | 490.31   | 381.06   | 262.37   | 218.43   | 154.49   |
| Dividend                                                              | <b>346.20</b>    | 370.92   | 370.92   | 309.10   | 185.46   | 173.10   | 111.28   |
| Net Fixed Assets                                                      | <b>157.08</b>    | 141.82   | 133.92   | 134.69   | 143.31   | 131.48   | 129.23   |
| Investments                                                           | —                | —        | —        | 0.52     | 0.52     | 20.58    | 42.52    |
| Net Assets                                                            | <b>649.23</b>    | 604.20   | 553.50   | 495.00   | 478.36   | 432.97   | 426.58   |
| Share Capital                                                         | <b>494.56</b>    | 247.28   | 247.28   | 123.64   | 123.64   | 123.64   | 123.64   |
| Reserves & Surplus                                                    | <b>154.67</b>    | 356.92   | 306.22   | 371.36   | 351.93   | 306.54   | 294.02   |
| Net Worth                                                             | <b>649.23</b>    | 604.20   | 553.50   | 495.00   | 475.57   | 430.18   | 417.66   |
| Loan Funds                                                            | —                | —        | —        | —        | 2.79     | 2.79     | 2.79     |
| Deferred Tax Assets/(Liability) (Net)                                 | <b>65.09</b>     | 56.24    | 37.11    | 34.62    | 26.82    | 18.22    | (6.13)   |
|                                                                       | Rupees           |          |          |          |          |          |          |
| Earning per Share*                                                    | <b>9.05</b>      | 9.73     | 9.92     | 7.71     | 5.31     | 4.42     | 3.13     |
| Dividend per Share                                                    | <b>10.50</b>     | 15.00    | 15.00    | ‡25.00   | 15.00    | 14.00    | 9.00     |
| Book Value per Share                                                  | <b>13.13</b>     | 24.43    | 22.38    | 40.04    | 38.46    | 34.79    | 33.78    |
| Debt Equity Ratio                                                     | —                | —        | —        | —        | 0.02 :1  | 0.02 :1  | 0.02 :1  |

‡ Includes Special Dividend of Rs. 10.00 per Share.

\* Earning per equity share for all years has been re-calculated after considering the effect of bonus shares in 2010 and 2012.

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012**

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2012

|                                                                | <b>For the year ended<br/>31<sup>st</sup> December, 2012<br/>(Rupees in Crores)</b> | For the year ended<br>31 <sup>st</sup> December, 2011<br>(Rupees in Crores) |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Profit before Depreciation, Exceptional Items &amp; Tax</b> | <b>692.96</b>                                                                       | 741.06                                                                      |
| Deducting therefrom:                                           |                                                                                     |                                                                             |
| Depreciation & Amortisation                                    | <b>26.64</b>                                                                        | 25.11                                                                       |
| Tax Expenses                                                   |                                                                                     |                                                                             |
| Current Tax                                                    | <b>227.78</b>                                                                       | 255.44                                                                      |
| Deferred Tax                                                   | <b>(8.85)</b>                                                                       | (19.13)                                                                     |
| Short/(Excess) provision for tax relating to earlier years     | —                                                                                   | (1.39)                                                                      |
| <b>Profit after Tax</b>                                        | <b>447.39</b>                                                                       | 481.03                                                                      |
| Adding thereto:                                                |                                                                                     |                                                                             |
| Balance as per last Balance Sheet brought forward              | <b>43.24</b>                                                                        | 40.65                                                                       |
| Profit Available for Appropriation                             | <b>490.63</b>                                                                       | 521.68                                                                      |
| <b>The appropriations are:</b>                                 |                                                                                     |                                                                             |
| Dividend                                                       |                                                                                     |                                                                             |
| Interim                                                        | <b>173.10</b>                                                                       | 173.10                                                                      |
| Final                                                          | <b>173.10</b>                                                                       | 197.82                                                                      |
| Tax on Dividend                                                |                                                                                     |                                                                             |
| Interim                                                        | <b>28.08</b>                                                                        | 28.08                                                                       |
| Final                                                          | <b>28.08</b>                                                                        | 32.09                                                                       |
| Final – 2010                                                   | —                                                                                   | (0.76)                                                                      |
| Transfer to General Reserve                                    | <b>44.74</b>                                                                        | 48.11                                                                       |
| Net surplus in the Statement of Profit & Loss                  | <b>43.53</b>                                                                        | 43.24                                                                       |
|                                                                | <b>490.63</b>                                                                       | 521.68                                                                      |

## PERFORMANCE

Sales realizations have increased by 5% over the previous year to Rs. 3593 crores mainly due to an increase in unit sales realizations. However the sales volumes have declined by 2% over the previous year.

Costs of materials have increased by 8% over the previous year to Rs. 1824 crores mainly driven by the devaluation of Indian Rupee against US Dollar.

Despite increasing cost pressures and lower volumes, pro-active margin management strategy helped your Company to maintain its Gross Profit and Unit Gross Profits.

Operating & other expenses increased by Rs. 45 crores as compared to 2011 as your Company continued to invest in its brands, business growth opportunities and people.

Profit before tax decreased by 7% over previous year to Rs. 666.3 crores.

Tax rate for the current year has remained at nearly the same level as that of the previous year. Profit after tax decreased by 7% over the previous year to Rs. 447.4 crores.

## BONUS SHARES

As the members are aware, the Board of Directors had recommended, subject to the approval of the shareholders, one Bonus equity share for every one equity share of Rs. 10/- each held on the Record Date. Accordingly, the approval of the shareholders was obtained on 23<sup>rd</sup> August, 2012 to the said issue of Bonus shares through a Postal Ballot. The Bonus shares were allotted on 6<sup>th</sup> September, 2012 to those who were the shareholders of your Company on the Record Date fixed in consultation with the stock exchanges.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report and a Report on Corporate Governance are given as Annexure 'A' and 'B' respectively to this Report.

A certificate from the Statutory Auditors of your Company regarding the Compliance by the Company of the conditions stipulated under Clause 49 of the Listing Agreement is also attached to this Report.

The declaration by the Chief Operating Officer pursuant to Clause 49(1)(D) of the Listing Agreement stating that all the Board Members and Senior Management Personnel have affirmed their compliance with the Company's Code of Conduct for the year ended 31<sup>st</sup> December, 2012 is given as Annexure "C" in this Report.

## BUSINESS RESPONSIBILITY REPORT

In terms of the new Clause 55 of the Listing Agreement, your Company is required to inform the shareholders in a prescribed format, viz. Business Responsibility Report (BR Report), of the initiatives taken by your Company from an Environmental, Social and Governance perspective.

Accordingly, the BR Report forms part of this Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- (ii) 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 your Company as on 31<sup>st</sup> December, 2012 and of the profits of the Company for the year ended 31<sup>st</sup> December, 2012.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the

Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- (iv) The Directors have prepared the annual accounts on a going concern basis.

### DIVIDEND

The Interim Dividend in respect of the year ended 31<sup>st</sup> December, 2012 of Rs. 7/- per share on 24,72,80,596 Equity Shares was paid to the Shareholders of your Company whose names appeared in the Register of Members on 3<sup>rd</sup> August, 2012.

The Directors recommend a payment of final dividend of Rs. 3.50/- per share on 49,45,61,192 Equity Shares of Rs. 10/- each i.e. inclusive of the Bonus Shares allotted on 6<sup>th</sup> September, 2012.

### DIRECTORS

Mr. N. K. Kshatriya, Vice Chairman & Nominee Director ceased to be a Director of your Company with effect from 5<sup>th</sup> April, 2012 and in his place, with effect from the said date, Mr. P. Weidner was nominated as a Director of your Company pursuant to Article 112 of the Articles of Association of your Company.

Mr. Soren Malekar resigned with effect from the close of business hours on 31<sup>st</sup> October, 2012 as the Wholetime Director of your Company, designated as Director – Supply Chain.

Mr. Bijay Kamath was with effect from 1<sup>st</sup> November, 2012 appointed as an Additional Director of your Company. Consequent to the said appointment, he was appointed as a Wholetime Director of the Company designated as Director – Supply Chain. In accordance with Section 260 of the Companies Act, 1956 (the Act), Mr. Kamath holds office upto the date of the forthcoming Annual General Meeting of your Company. Notice has been received under Section 257 of the Act along with the requisite deposit from a shareholder proposing Mr. Kamath as a candidate for the office of Director.

Mr. A. Moore was nominated with effect from 18<sup>th</sup> July, 2012 to the Board pursuant to Articles 112 & 114 of the Articles of Association of your Company as Alternate Director to Mr. R. Hewins in place of Ms. H. McCabe.

Your Directors wish to place on record their gratitude for the guidance and advice received from Mr. Kshatriya, Mr. Malekar & Ms. H. McCabe during their tenures as Directors of the Company.

Mr. R. Gopalakrishnan and Mr. S. Vaidya retire by rotation and are eligible for re-appointment.

The information on the particulars of Directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement executed with the BSE Limited and the National Stock Exchange of India Limited have been given under Corporate Governance (Annexure 'B') of this Report.

### CONSERVATION OF ENERGY

#### (a) Energy conservation measures taken:

Energy conservation during the financial year has accrued as a result of the following steps taken at the various plants of the Company:

#### Patalganga:

1. Installed new energy efficient Variable Frequency Drive (VFD) to pumps resulting in reduction of electrical energy.
2. Installation of solar tube units in A-14 filling area, LED street lights across plant and replacement of 40W tubelight with energy efficient 27W CFL fitting.
3. Replacement of old MCC-5 and PDB electrical panels with new and safe panels.
4. Synchronization of 130 CFM air compressor which has VFD for the motor with 200 CFM air compressor to have a balanced load.
5. Using fuel additive with furnace oil to obtain best fuel efficiency.
6. Boiler condensate recovery and maintenance done resulting in lower furnace oil consumption.

**Silvassa:**

1. Optimizing power and utility operations by:
  - Running of utility pumps closer to their best efficiency point.
  - Decreasing head of thermic fluid pump.
  - Optimum temperature supply for hot oil supply.
  - Voltage optimizing of transformer for energy saving.
2. Creating awareness by:
  - Monitoring/forecasting and sharing of information to run the operation efficiently.
  - Stabilizing lighting costs.

**Paharpur:**

1. Installation of LED street lights led to reduction in the unit consumption of street lights.
2. Reduction in water consumption by plugging leaks and other control measures. This also saved energy by stopping running hours of water pumps.
3. All street lights fitted with solar sensors thereby eliminating manual switching.
4. Installation of VFD for filling pump helped reduced the power consumption considerably.
5. Change of fuel: Site shifted from LDO to HSD which is a cleaner fuel and helps in greater combustion. This reduced the specific fuel consumption of the site.
6. Recycling water: The treated water from ETP which used to be drained in public drain is now being used for sanitation. This has reduced the water consumption of the site by 10%.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.**

New high capacity air compressor, energy efficient boiler and new generation auto power factor control panel to maintain power factor to unity.

**(c) Impact of Measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

The measures mentioned above in (a) and (b) above have led to reduction in fuel and electricity consumption as well as improvement in the productivity which in turn has impacted the cost of production.

**TECHNOLOGY ABSORPTION**

1. Site safety and security continued to remain an area of focus at the Technology Centre. The Technology Centre was audited and certified for the 'Operating Management System' by the BP Group.
2. The focus on safety at all levels ensured that your Company completed the year without a single incident. The Technology Centre also installed a state of the art fire hydrant system to take care of any exigencies that could occur.
3. Both ISO specifications viz. 9001 – 1998 as well as 14001 were renewed during the year vis-a-vis the Technology Centre.
4. Huge emphasis was laid to ensure product integrity and formulation compliance. Several internal and external audits were carried out both at the plant level as well as at the formulation level to ensure that only compliant products reached the customers.
5. Your Company secured approvals for various new products from Original Equipment Manufacturers (OEMs) in India like Daimler – Bharat Benz, Mahindra two-wheelers, Ford.
6. The agreement with TELCON was renewed in 2012.
7. Your Company partnered with Volkswagen to set up a training centre in their premises.

8. Your Company conducted a technology day at the premises of Ford India Limited.
9. Your Company launched various products throughout the year with superior properties and stronger differentiations. Some key launches were Castrol CRB plus and Castrol CRB Turbo with Durashield™ Boosters, re-launch of BP brand of lubricants, revamp of the Castrol RX portfolio, Castrol Activ with Actibond™ molecules and Castrol Magnatec with Intelligent molecules. Work is already in progress to make sure your Company has the product pipeline managed for product launches throughout 2013 and beyond.
10. Formulation optimization initiatives by Technology team with support from Supply Chain and Marketing was an area of focus during 2012, which resulted in significant savings in raw material costs as well helped to manage the security of supplies for your Company's raw materials.

#### RESEARCH & DEVELOPMENT (R&D)

##### (a) Specific areas in respect of which R&D was carried out.

There were three specific areas under which R&D activities can be clubbed. These were:

- (a) **New product launches with stronger consumer propositions/benefits:** In this category, three major brands were re-launched during the year with strong consumer benefits viz.
  - (i) Castrol Magnatec with Intelligent molecules,
  - (ii) Castrol Activ with Actibond™ molecules and
  - (iii) Castrol CRB Plus and Castrol CRB Turbo were re-launched with Durashield™ Boosters which provide stronger wear protection to the engines.
- (b) **New products and offers for Original Equipment Manufacturers (OEMs):** In this connection, your Company was successful in obtaining approvals for its products with

three OEM's namely Bharat Benz (Daimler), Mahindra for two-wheelers and Ford motors. Your Company also took its offer to the next level by partnering with Volkswagen to build a technology centre in their premises and conducting a technology day at Ford India.

- (c) **Driving efficiencies:** Several initiatives were taken during the year to ensure that your Company availed of the maximum efficiencies by creating alternative raw material options. This will also ensure a strong security of supply in case of any crisis. During the year, your Company also renewed its ISO certificates of 9001:2008 and 14001 in 2012.

##### (b) Benefits derived as a result of the above R&D.

Based on the R&D activities mentioned above being implemented, your Company was able to further strengthen its connect with its consumers and the OEMs. It also helped your Company in forging new partnerships with OEMs and demonstrating its technical superiority.

##### (c) Future plan of action.

Innovation is a journey and your Company is well placed to ensure it continues to maintain a strong track record in this field. Your Company will continue its focus on generating fuel efficient products for its consumers, strengthening its synthetic technology based portfolio and working on the state of the art technologies of modeling to fast track product development cycles.

##### (d) Expenditure on R&D (Rs. in crores)

|                                                         |      |
|---------------------------------------------------------|------|
| (i) Capital                                             | 1.25 |
| (ii) Recurring                                          | 8.58 |
| (iii) Total                                             | 9.83 |
| (iv) Total R&D expenditure as a percentage of Net Sales | 0.32 |

**FOREIGN EXCHANGE EARNINGS AND OUTGO****1. Activities relating to export**

There were no significant exports by your Company during the year. However, some products were exported to Group companies in China and Malaysia.

**2. Earnings and outgo**

Members are requested to refer to note Nos. 32 & 33 forming part of the financial statements for the year ended 31<sup>st</sup> December, 2012.

**PARTICULARS OF EMPLOYEES**

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956 (the Act) read with Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this Report.

**AUDITORS**

The Shareholders of the Company are requested to appoint Auditors and to fix their remuneration. M/s. S.R. Batliboi & Co., Chartered Accountants, the retiring Auditors, have furnished to the Company the required certificate under Section 224(1B) of the Companies Act, 1956 and are therefore eligible for re-appointment as Auditors of the Company.

**Cost Auditors**

The Board of Directors pursuant to the Notification No. GSR 430 (E) dated 3<sup>rd</sup> June, 2011 issued by the Central Government under Section 233B of the Companies Act, 1956 (the Act) had on the recommendation of the Audit Committee appointed M/s. N. I. Mehta & Co. as the Cost Auditors of the Company for the financial year 2012 to carry out a

Cost Audit in relation to the cost accounting records for the manufacture of "Lubricants". The said appointment has also been filed in the prescribed format with the Central Government.

The Cost Auditors had certified that their appointment was within the limits of Section 224(1B) of the Act. The Audit Committee had also received a certificate from the Cost Auditors certifying their independence and arm's length relationship with the Company.

**PERSONNEL**

The Board wishes to place on record its sincere appreciation of the efforts put in by your Company's workers, staff and executives for achieving excellent results under difficult conditions.

**STAKEHOLDERS**

The Board also wishes to thank its Shareholders, Distributors, Bankers and other business associates for their support during the year.

On behalf of the Board of Directors

R. Kirpalani

*Director – Automotive &  
Chief Operating Officer*

S. Vaidya

*Director – Finance*

B. Kamath

*Director – Supply Chain*

Mumbai

Dated: 15<sup>th</sup> March, 2013

## ANNEXURE A

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion & Analysis Report covering segment-wise performance and outlook is given below:

#### (A) Industry structure and developments – 2012

The lubricant industry in India is broadly divided into three major market sectors: Automotive, Industrial and Marine & Energy applications. The industry is led by four major players (Castrol India Limited, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited) who together contribute to approximately 55% of the market in terms of volumes. Another 20% of the market is accounted for by multinational companies such as TotalFinaElf, Shell, Gulf Oil and Tidewater oil, amongst others. Numerous other players, largely local in nature, operate in the balance 25% of the market, leading to a very competitive market scenario.

The Indian automotive industry was characterized by a slowdown in growth in 2012. While the year started on a robust note, the second half witnessed a decelerating trend in vehicle sales, exacerbated by high inflation and interest rates. This cut across all the key segments in which Castrol offers lubricant products and services, including commercial vehicles, tractors, off road vehicles, passenger cars and two-wheelers.

*Commercial vehicles, tractors and off road vehicles:* Weak transporter sentiment, weighed down by rising fuel prices, high interest rates, inflation and higher vehicle prices, had an adverse impact on medium/heavy commercial vehicle (MHCV) sales. Finance availability and freight rates were the other triggers.

The micro light commercial vehicle (MLCV) segment however continued to grow. Delayed monsoon and drought in major States decelerated tractor off take. Off road vehicles growth was impacted by slowdown/stalling of key infrastructure related projects and also by policies pertaining to mining sector.

*Passenger cars and two-wheelers:* Domestic passenger car sales have grown in 2012, but on a low base. This has been abetted by discounts offered by original equipment manufacturers (OEMs) on a recurring basis through the year. The growth has been led by sharp increase in off take of utility vehicles. Post a few high growth years, the two-wheeler industry experienced a modest growth in 2012.

#### Major industry developments

##### 1. Economic conditions

- *Low growth of the Indian Economy:* India's GDP grew at 5% during 2012; the performance in the second half of the year lagging considerably behind the first half. The projected industrial growth was only 0.7%. This slowdown was triggered in part by persistent high inflation that constrained the Reserve Bank of India to retain high interest rates and also by the sharp devaluation of the Indian Rupee. The growth was further weighed down by stalling of mining projects and delays in infrastructure projects.
- *Delayed monsoon:* Apart from the high inflation and interest rates, the delayed monsoon led to low agricultural growth (1.8%) and a significant slowdown in the services sector (6.6%) in 2012.
- *Hike in fuel prices:* Both petrol and diesel prices increased in the range of Rs. 9-10 per litre in 2012; the percentage increase being much higher for diesel, given the lower base price. Price hike in diesel impacted profitability of the commercial vehicle industry, which in turn, had an adverse effect on lubricant consumption in this category.

##### 2. Crude oil, base oil and additives:

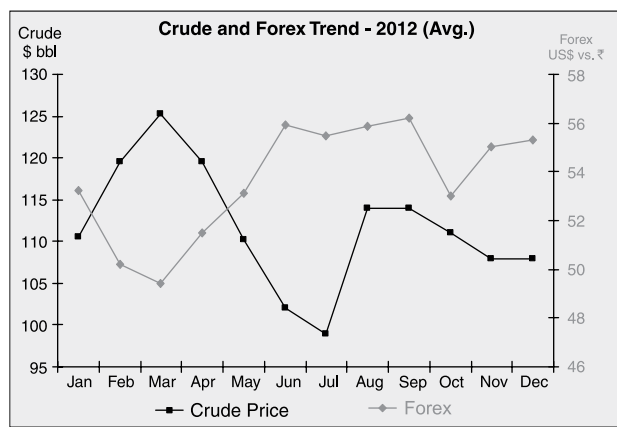
The year 2012 witnessed pressure on input raw materials due to high crude prices coupled with devaluation of Indian rupee against the US Dollar. Both these factors impacted the prices of base oils, performance additives and chemicals, which resulted in higher input cost.



Crude prices reflected the volatile trend especially in first half of the year and after reaching a high of US \$126 in March 2012, settled down at an average of US \$110 from July 2012 and remained at this level throughout the year, amid geopolitical tensions in Middle East countries.

The initial demand growth for base oils, seen in major markets of Asia and Pacific region, underpinned by the strong crude prices during the first half of 2012, drove up base oil prices by 5% from end 2011. However, overall economic slowdown across the globe since June 2012 impacted base oil consumption and markets were oversupplied. This pushed down prices starting from July 2012 and the trend continued for rest of the year but the full benefit of this reduction was not felt due to consistent crude prices at around US \$110.

The graph below indicates the trend of crude prices and Forex in the year 2012.



Polymer prices continued to show an upward trend across the year, with an average increase of 15% over exit 2011. Since polymers form majority of packaging consumption, this contributed to an increase in packaging material cost.

In a business environment which was very challenging and unpredictable, your Company continued providing value to its consumers through strategic sourcing, value improvement initiatives, extensive focus on service and continuous monitoring.

Your Company worked decisively on cost effective 'bought out' model and value based inventory management, keeping an eye on cash costs and working capital without impacting service levels.

## Market behaviour and outlook

### Automotive lubricants business outlook

The urban retail automotive segment of the Indian lubricant industry witnessed a small de-growth in volume terms in 2012 while it grew marginally in value terms, during the same period. Tighter fuel specifications, combined with growing demand for more sophisticated motor vehicles, are driving a gradual shift towards higher quality transport lubricants and longer drain intervals, leading to lower lubricants consumption per vehicle and slower growth in overall engine oil demand.

The outlook for the automotive lubricants segment is explained through the three broad dimensions of growth drivers, channels of distribution and competitive activity.

**1. Growth drivers:** The key drivers of growth in each segment where your Company operates are explained below:

*Commercial vehicle lubricants:* Demand for lubricants was more or less stagnant in the medium and heavy commercial vehicle (MHCV) segments, reflecting a slowdown in economic activity and lengthening oil drain intervals resulting from the same.

Commercial vehicle lubricants demand is projected to exhibit muted growth in 2013. This will be driven by vehicle population expansion. However, the volume impact of the growth will be tempered by a continuing shift to higher quality lubricants and longer oil drain intervals.

In the MHCV segment, demand is likely to be under pressure in spite of superior offerings from Tata Motors, Ashok Leyland and Bharat Benz, which have fuelled anticipation in the category. Sales of light commercial vehicles (LCVs) however, are expected to grow in double digit in the near future.

*Tractor lubricants:* Delayed monsoons resulted in low agricultural growth, thereby adversely impacting overall growth in lubricant consumption for tractors. Going forward, the performance of this segment is contingent on the revival in agricultural growth. Normal monsoon in 2013 should help the tractor business as well as rural vehicle growth.

*Off road vehicle lubricants:* Demand declined in the off road vehicle segment, reflecting a slowdown in infrastructure sector. Implementation of several projects was delayed during the year leading to lower off take in this sector. Ban on mining activity in some States further impacted demand.

Off road vehicle lubricant demand is projected to remain soft in the short term. However, policy initiatives, including formation of the National Investment Board (NIB) and easing of financing norms, once implemented, should improve infrastructure development activity. Hence the sector is likely to witness moderate growth in the medium term. Several OEMs have announced projects to expand manufacturing capacity to meet long term growth in this sector.

*Passenger car lubricants:* The market for passenger car lubricants showed a marginal decline in 2012. This reflects lengthening oil drain intervals among the existing car population. The movement towards superior low viscosity lubricants continued during the year.

In 2013, the passenger car lubricants market is likely to be driven by the growth in diesel cars and utility vehicles. The movement towards synthetic lubricants and lengthening oil drain intervals is expected to continue. This is likely to impact value realization favourably. Volume growth will be subject to reversal in the economic slowdown and faster growth in car sales.

*Two-wheeler lubricants:* The two-wheeler lubricants market was the growth driver for the automotive lubricants category in 2012. However, growth levels were lower compared to those in previous years.

In 2013, we expect the two-wheeler lubricants segment to continue on its growth path, given that OEMs are all geared up to tap two key opportunity areas – rural and scooters. There is a real opportunity to drive two-wheeler sales in rural areas where the ownership of two-wheelers is in less than 15% of households. In addition, scooters are driving growth in the two-wheeler segment as opposed to conventional motorcycles. The emergence of women scooter owners / riders presents a new segment opportunity for differentiated products.

**2. Channels of distribution:** Retail remains the dominant sales channel for automotive lubricants. However, OEM dealerships and authorized workshops are becoming increasingly important due to higher retention period for vehicle servicing at the OEM authorized workshops.

Since the growth in number of authorized workshops continues to lag the growth in vehicle population, the small independent workshops have also been witnessing a rapid pace of growth. The historically dominant sales channels, like petrol stations, continue to decline and are no longer a dominant channel for the industry. This trend is expected to continue.

Your Company has pioneered new channels of distribution viz. Castrol Bike Points and Castrol Pitstops – service centres with amplified Castrol branding. The footprint for the same has been expanded considerably year on year.

### 3. Competitive activity

The competitive situation remains largely unchanged with all major international lubricant players having been present in the market for several years now. Your Company continues to be the leading brand in the retail automotive sector, followed by the public sector brands. However, few players have been competing aggressively with lower prices and higher sales promotion to gain market share. In the urban retail

automotive segment, your Company has witnessed an improvement in share movement compared to 2011, registering a moderate increase in volume share in a highly challenging year. This growth has been led by the offerings for new generation trucks, tractors and passenger cars.

#### **Non-automotive lubricants business outlook**

Industrial production, measured by the Index of Industrial Production (IIP), slowed down significantly and was expected to grow by 0.7% during 2012 – the lowest since 2005-06. This was driven by a decline in mining (-1.4%) and a low growth in manufacturing. Power generation however grew by 4.5%.

Slow implementation of investment projects led to supply constraints, particularly in the mining segment and pulled down the industry growth. Rising inflation, coupled with high interest rates, dampened consumer sentiment in 2012 and we witnessed a slowdown in consumer spending for high value white goods and automobiles.

Industrial output is poised to improve slightly with respect to production in 2013. Inflation has started easing and will continue to do so. The manufacturing sector, the single largest contributor to industrial production, is set to see a restrained improvement in its performance in 2013.

The marine industry continues operating in a very challenging period. In 2012, many Indian shipping companies and ship management companies saw a scrapping and sale of vessels. Your Company continues to focus on customer intimacy and provide best in class products and services. However, we have seen drop in volumes in marine business due to much lower utilization of vessels, higher lay ups and slow steaming in operations. Various estimations on marine industry peg the recovery to 2014 or 2015 when the demand and supply of vessels to cargo will correct to a level which will push up the current prevailing charter rates.

## **(B) Opportunities and threats**

### **(i) Opportunities**

#### **Automotive sector**

**a. Commercial vehicles:** MHCV sales are not expected to grow significantly in 2013 while LCV and MLCV sales are expected to grow at a healthy pace. The LCV segment remains least impacted by economic downturn as it is still underpenetrated. Your Company has plans to tap this segment with its existing iconic brands like Castrol CRB Turbo.

#### **b. Diesel cars and sports utility vehicles (SUVs):**

Cost of owning petrol cars has risen by nearly 25% in the last three years while cost of owning a diesel car has risen by only 8-10%. Though OEMs are offering reasonable discounts on petrol variants, sales are unlikely to look up substantially for petrol cars. Easing up supply constraints for diesel engines will further aid growth in dieselization. SUVs are emerging as engines of passenger car growth. Your Company is strengthening its diesel lubricant portfolio to leverage this opportunity.

#### **c. Original Equipment Manufacturers (OEMs):**

The influx of international passenger car OEMs into the Indian market continued in 2012. In spite of relatively muted levels of economic growth, there have been signs of activity and increased commitment to operate in India by almost all OEMs. In fact, India is now being looked at as a potential export hub by key OEMs.

Your Company has historically strong and enduring partnerships with leading automotive OEMs and key off road equipment manufacturers, global and local. This is mainly because of the superior technology and high service levels provided by your Company. With more global OEMs coming into India, this presents your Company with further partnership opportunities in 2013 and beyond.

**d. Rural opportunity in two-wheeler oils:** Late monsoons slowed down two-wheeler sales in rural markets in 2012. With normal monsoon, growth will be driven by smaller towns and rural India in 2013. Your Company is in the process of further strengthening its rural distribution network to capitalize on this opportunity.

**e. Scooters:** The share of scooters in domestic two-wheeler sales has consistently risen over the last six years. Increase in women scooter owners opens up new opportunities that your Company can tap.

**f. Changes in engine technology:** Stronger emission norms and demand for fuel efficiency is driving OEMs to keep developing new engine technology at a faster pace. India has also become an export hub for many global players who are demanding higher specification engines and engine oils to meet the more stringent international specifications. It is expected that these factors will result in a demand for higher quality lubricants, leading the industry towards wider acceptance of synthetic lubricants. Your Company has already launched synthetic and semi-synthetic lubricants in India and is well set to leverage its technology superiority in this segment.

Since early 2012, your Company's technology centre in India hosts the global product development centre for motor cycle engine oils. A highly qualified technical team is in place, along with the necessary infrastructure, to enable pioneering product development. During 2013, further investment in hardware and capability will be developed. This will enable faster product development and better differentiating technology for our brands.

**g. Environmentally friendly products and services:** With the Government's increased focus on emission control measures and any future growth in technology being subject to the requirements of lower carbon footprint and emission control, your Company is in an advantageous position to benefit on account of its global technological leadership.

### Non-automotive sector

Automotive component and machinery manufacturing are likely to post healthy growth rates in 2013; backed by increased replacement demand, increase in automobile manufacturing and localization efforts of major global OEMs operating in India. Steel and cement manufacturing will be boosted by revival of infrastructure projects and capacity additions. Your Company expects such triggers to lead to increased production and drive demand for lubricants and allied services.

Your Company has successfully leveraged its global partnerships with major automobile OEMs and the coming years will see strengthening of existing partnerships and forging of new alliances as global OEMs begin to enhance their manufacturing capacities in India. With domestic automobile OEMs also becoming aggressive for growth and improving their global footprint, your Company is better positioned to transfer international best practices and technology, supported by best in class products.

### (ii) Threats

#### Automotive sector

**(a) Input costs:** Volatility in commodity prices has a direct impact on the cost of goods. Crude oil prices are expected to remain firm in 2013. An adverse foreign exchange situation and high inflation could put increased pressure on input costs in 2013.

**(b) Competitive activity:** The Indian lubricant market is highly competitive. Most international players have identified India as a focus market and competition is likely to intensify further. Downtrading by consumers, in the wake of high degree of fragmentation and proliferation of regional players (given low entry barriers), is another trend that can threaten share of existing players. The industry has also witnessed a trend of some OEMs introducing lubricants under their own brand name, further impacting the competitive landscape.

**(c) Longer oil drain intervals:** This can significantly impact volume growth of lubricants, especially in the commercial vehicle segment.

**(d) Heavy duty segment (transport fleets, building & construction and mining):** This segment is largely dependent on the recovery of the infrastructure sector. While there has been a recent policy push to drive growth, the following factors may impact this sector in the near term:

- (i) Growth of the construction industry is directly linked to GDP growth. Any slowdown in the economy will have an adverse impact on growth in the construction sector
- (ii) Interest cost has doubled in the past five years thereby impacting margins and availability of funds impacting liquidity of infrastructure companies
- (iii) Mining ban due to environmental concerns
- (iv) Hurdles in obtaining statutory clearances leading to implementation delays, cost overruns and profitability of major projects

#### **Non-automotive sector**

**(a) Sustained pressure on input cost management:** Customers are exploring use of re-cycled and low priced lubricants for non-critical applications and areas in their manufacturing processes. Increased cost of capital and subdued demand means a significant reduction in new project announcements. These may affect demand for lubricants in medium term, even if an economic upturn raises demand in the short term.

**(b) Aggressive pricing practices:** Competition is leveraging lower pricing to gain volume share in conventional metal working oils (coolants, neat oils, corrosion preventives and quenchant) and general industrial lubricants. This may impact your Company's volumes.

#### **(C) Segment-wise / product-wise performance**

##### **I. Automotive lubricants business performance**

In a challenging competitive and cost environment, your Company delivered a top line growth of 6% in the automotive business during the year 2012. However, increased cost of material, mainly on account of Indian Rupee devaluation against US Dollar, and additional investment in brands, innovation, business growth opportunities and staff costs, impacted the operating profit of your Company which declined by 1%.

- (i) *Launches / re-launches to bring alive distinctive propositions:* During 2012, your Company refreshed and re-launched several of its brands including Castrol CRB Plus and Castrol CRB Turbo with Durashield™ Boosters, Castrol Activ with Actibond™ molecules and Castrol Magnatec with its proposition of 'Instant protection from the moment you start the car'. Castrol RX series was also re-launched with an improved portfolio and customer value proposition. Your Company also re-launched its BP lubricant brand with superior 'Cleanguard' technology.
- (ii) *Improved availability:* In 2012, your Company mounted a major rural thrust and appointed over 680 new rural sub-distributors. In addition, there was a focus on independent workshops for cars and two-wheelers. Through these initiatives, your Company managed to increase its customer base by 8,000 outlets.
- (iii) *Improved advocacy:* One of the most valuable assets of your Company is the strong relationship it enjoys with its trade partners. The Anmol Ratn dealer loyalty programme has been a huge success, enabling your Company to connect strongly with its core dealers. In addition, your Company launched a number of influencer advocacy programmes like Castrol Smiles, which enabled us to build stronger relationships with mechanics.

- (iv) *Stronger OEM partnerships:* Your Company continues to strengthen its relationships with all its key OEM partners like Ford, VW Group, BMW, Tata Motors, JCB, Telcon and Komatsu. Your Company demonstrated its technology leadership by conducting a technology day at Ford and setting up learning centres on site at VW and Tata Motors. Your Company also demonstrated its safety leadership position by signing a Memorandum of Understanding with Tata Motors to develop and deliver training modules on workshop safety. Focusing on the environment, your Company launched a 'green' offer by installing lubricant dispensing equipment at all BMW workshops, significantly reducing supply of plastic packs.
- (v) *Building on line communities:* With the increasing need to reach consumers across multiple touch points, your Company has established a strong presence in social media. On line initiatives linked to the 'Grand India Roadtrip' and 'Ride to MotoGP,' helped build a strong connect with a growing breed of bikers.
- (vi) *Leveraging new touch points through cricket:* In 2012, your Company leveraged its sponsorship as the official Performance Partner of the International Cricket Council through the ICCTwenty20 World Cup. This association, especially with its flagship brands like Castrol Activ and Castrol Magnatec, has helped build a strong connect with consumers, especially first time vehicle owners.

## II. Non-automotive lubricants business performance

The non-automotive part of the business was affected by the slowdown in the Industrial, Marine and Building & Construction segments and a tight money market. In 2012, the revenues of the segment were down by 8%.

In this challenging, competitive environment, your Company has created an eco-system to offer holistic

solutions to address its customers' demand for enhancing productivity. Your Company has renewed its strategic alliance with ACE Micromatic Group – the largest CNC machine tool manufacturer in India. Your Company continues to reach out to its customers through participation in Industry seminars, conferences and trade shows, specific to its target segments.

Linked to productivity enhancement, your Company is now successfully running compatible chemistry lubricants in automobile companies in India. This enables sustainable manufacturing performance while driving out waste costs for its customers.

Your Company continues to consolidate its position as the leading supplier of technologically superior and value delivering metal working fluids and high performance lubricants.

Your Company has maintained its leadership position in the offshore drilling segment in 2012 by focusing its efforts on value offers despite minimal drilling activity. However, as companies in India continue to hunt for oil and gas reserves, we expect some momentum in this segment in 2013 and onwards. Your Company will maintain its focus on value and specialist offers, such as subsea solutions, to further consolidate its market share in the offshore drilling segment.

### (D) Risks and concerns

The challenging macro-economic environment in India continues to impact lubricant consumption and demand. This may impact your Company's ability to grow volumes. The aggressive pricing strategy by local as well as international competition, in an attempt to gain market share and commoditization of products in the premium markets, will have an impact on overall industry margin. This can be further impacted by weakening Indian rupee and its adverse impact on cost of goods.

Employee attrition could result in loss of knowledge and business disruption, which may impact your Company's ability to support its growth agenda.

Safety and product integrity continue to be a focus area for your Company. Given the extremely challenging road conditions in India, road safety is an area of particular concern for your Company as it moves its goods and people across the country.

Your Company has put together a plan to address the impact of the identified risks and put in place the necessary monitoring and mitigation actions.

### **(E) Technology**

Worldwide, industry is talking about reduced dependency on oil and driving towards sustainable technologies. Pressure to reduce environment impact as well as cost comes from every direction: customers, business partners and governments. Your Company sees these challenges as an opportunity for change and has developed ecological and economic solutions to reduce its customers' environmental impact and optimize their financial advantage.

### **(F) Internal control systems and their adequacy**

Your Company maintains an adequate and effective Internal Control system commensurate with its size and complexity. We believe that these internal control systems provide, among other things, a reasonable assurance that transactions are executed with management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of your Company are adequately safe-guarded against significant misuse or loss. An independent Internal Audit function is an important element of your Company's internal control system. The internal control system is supplemented through an extensive internal audit programme and periodic review by management and audit committee.

### **(G) Health, safety, security and environment**

Health, safety, security and environment (HSSE) is a key priority for your Company. Simply stated, our goals are: no accidents, no harm to people and no damage

to environment. The health, safety and security of everyone who works for your Company, is critical to the success of its business.

Your Company's road safety programme has been successfully running for the past several years and we strive to upgrade the same with new initiatives to continue being a benchmark for road safety in India.

The Patalganga plant has completed 15 years without any lost time injury case (Days Away From Work case). All three blending plants of your Company are certified for the Environment Management system (ISO 14001) and Occupational Health & Safety Management System (OHSAS 18001). These systems have been certified by accredited bodies recognized internationally. Your Company is implementing BP's global Operating Management System (OMS) which is an enabler for enhanced safety performance.

The event organizing team and the HSSE team did an outstanding job of ensuring safety and security of all consumers, customers, partners and employees who attended the various Castrol sponsored events and match viewing experiences during the ICC Twenty20 World Cup 2012 event in Sri Lanka.

### **(H) Developments in human resources management**

During the year under review, the focus continued to be on the development of leadership capability and talent management with a view to ensure alignment to the overall business strategy. The focus this year was on engaging employees on the refreshed Code of Conduct and the Values and Behaviours. Using interactive sessions, your Company engaged all its employees on BP's five core values – Safety, Respect, Excellence, Courage and One Team and is now actively seeking to embed these values. Your Company's updated performance and reward system now creates an explicit link between its values and behaviours and the way individuals are judged and rewarded within your Company.

Continuing its journey of building a diverse and inclusive workforce, your Company's key initiatives in this area included training programmes to equip women to succeed in the workplace. Workshops were also conducted for Managers to enable them to effectively manage a multi-generation workforce. In addition, there is a continuous endeavour to ensure that your Company is hiring and retaining diverse talent.

Your Company continued to maintain high standards of employee relations and 2012 saw many achievements on this front. Signing of two key long term settlements with unions at the Patalganga plant and Wadala technology centre, without any loss of productivity, is a testimony of the strength of your Company's employee relations.

While your Company continuously reviews the reward and benefits offer, one of the key focus areas in 2013 will be to make the reward offer more contemporary. We are also working to ensure that our total offer to frontline sales employees is strengthened.

The total number of people employed in your Company as on 31<sup>st</sup> December 2012 was 839.

**(I) Discussion on financial performance with respect to operational performance**

Unit sales realization in 2012 grew by 7% due to judicious pricing decisions. However sales volumes have declined by 2% over the previous year, largely driven by steep decline in the building & construction and the industrial segments.

The total cost of materials has increased by 8% mainly due to devaluation of Indian Rupee against US Dollar. However, your Company has been able to maintain the Unit Margin through a combination of premium product mix and better sales realization.

Operating & other expenses increased by Rs.45 crores as compared to 2011 as your Company continues to invest in its brands, innovation, business growth opportunities and staff. This has resulted in overall decrease in Profit after Tax (PAT) by 7% over previous year, to Rs. 666 crores.

The next few quarters will continue to be challenging. Moreover, the sluggish economy and slow automotive and industrial growth will continue to dampen lubricant demand. This may put your Company's margins under pressure.

The management team is confident that your Company with its strong brands, enduring relationships with key stakeholders and continued commitment of its staff, has the ability to deliver a sustainable performance going forward.

On behalf of the Board of Directors

R. Kirpalani

*Director – Automotive &  
Chief Operating Officer*

S. Vaidya

*Director – Finance*

B. Kamath

*Director – Supply Chain*

*Mumbai*

*Dated: 15<sup>th</sup> March, 2013*



## ANNEXURE B

### CORPORATE GOVERNANCE

#### A. MANDATORY REQUIREMENTS

##### 1. Company's Philosophy on Code of Governance

The Company's purpose is to maximize long-term shareholder value consistent with wider stakeholders interest and sustainability by leveraging its premium brand strength and technological leadership in the lubricants market in India.

Our Board is collectively responsible for pursuing this purpose and our Corporate Governance processes are structured to direct the Company's actions, assets and agents to achieve this purpose while complying with the Code of Governance and the Company's own policies and expectations. The Company's policies reflect those adopted by the Parent Company in the UK – BP plc. ("BP plc Board Governance Principles") and covers aspects such as ethical conduct, health, safety and the environment; control and finance; commitment to employees; and relationships. Key aspects of the Company's Governance Processes are:

- Clear statements of Board Processes and the Board's relationship with Executive Management.
- Establish a framework of prudent and effective controls which enable risks to be assessed and managed.
- Set the Company's values and standards and ensure that obligations to shareholders and others are understood and met. The Board recognises that in conducting its business, the Company should be responsive to other relevant constituencies.
- Review and where appropriate determine the long term strategy and the annual plan for the Company based on proposals made by the Group Chief Executive for achieving the Company's purpose.

##### 2. Board of Directors

###### (a) Composition

As of the year ended 31<sup>st</sup> December, 2012, the Board of Directors had 9 members comprising of 3 Executive Directors and 6 Non-Executive Directors. The Non-Executive Directors included 3 members who were Independent Directors and 3 members who had been nominated by Castrol Limited, UK as provided under the Articles of Association of the Company. The Chairman of the Board is a Non-Executive Independent Director.

###### (b) Attendance of each Director at the Board Meetings and the last Annual General Meeting

4 Board Meetings were held during the financial year from 1<sup>st</sup> January, 2012 to 31<sup>st</sup> December, 2012.

The attendance of each of the Directors at the said Board Meetings is given below:

| Name of Director                                                                 | Category | No. of Meetings attended | % of total Meetings attended during the tenure as a Director |
|----------------------------------------------------------------------------------|----------|--------------------------|--------------------------------------------------------------|
| Mr. S. M. Datta                                                                  | NED      | 4                        | 100                                                          |
| Mr. N. K. Kshatriya (ceased to be a Director w.e.f. 5 <sup>th</sup> April, 2012) | ND       | 1                        | 100                                                          |
| Mr. R. Kirpalani                                                                 | ED       | 4                        | 100                                                          |
| Mr. S. Malekar (ceased to be a Director w.e.f. 31 <sup>st</sup> October, 2012)   | ED       | 4                        | 100                                                          |
| Mr. S. Vaidya                                                                    | ED       | 4                        | 100                                                          |
| Mr. R. Gopalakrishnan                                                            | NED      | 4                        | 100                                                          |
| Mr. R. Hewins or his Alternate                                                   | ND       | 3                        | 75                                                           |
| Mr. U. Khanna                                                                    | NED      | 3                        | 75                                                           |
| Mr. S. Mukundan                                                                  | ND       | 3                        | 75                                                           |
| Mr. P. Weidner (w.e.f. 5 <sup>th</sup> April, 2012)                              | ND       | 2                        | 66                                                           |

NED — Non-Executive Director

ED — Executive Director

ND — Nominee Director of Castrol Limited, UK.

All Directors except S. Mukundan attended the Annual General Meeting held on 16<sup>th</sup> April, 2012.

###### (c) Number of other Companies or Committees the Director is a Director/Member/Chairman of

| Name of the Director(s)                                         | Number of other Companies (excluding Foreign and Private Companies) in which Director (excluding Alternate/Nominee Director) | Number of Committees (other than Castrol India Limited) in which Member |
|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Mr. S. M. Datta                                                 | 13 (1)                                                                                                                       | 9 (2)                                                                   |
| Mr. R. Kirpalani                                                | —                                                                                                                            | —                                                                       |
| Mr. S. Vaidya                                                   | —                                                                                                                            | —                                                                       |
| Mr. B. Kamath (appointed w.e.f. 1 <sup>st</sup> November, 2012) | —                                                                                                                            | —                                                                       |
| Mr. R. Gopalakrishnan                                           | 10 (3)                                                                                                                       | 3                                                                       |
| Mr. S. Mukundan                                                 | 1                                                                                                                            | —                                                                       |
| Mr. R. Hewins                                                   | —                                                                                                                            | —                                                                       |
| Mr. U. Khanna                                                   | 4(4)                                                                                                                         | 2(5)                                                                    |
| Mr. P. Weidner                                                  | —                                                                                                                            | —                                                                       |

Notes:

1. Includes 5 Companies in which Chairman
2. Includes 4 Committees in which Chairman
3. Includes 5 Companies in which Chairman
4. Includes 1 Company in which Chairman
5. Includes 1 Committee in which Chairman

**(d) Number of Board Meetings held and the dates of the Board Meeting**

4 Board Meetings were held during the financial year 1<sup>st</sup> January, 2012 to 31<sup>st</sup> December, 2012. The dates on which the said meetings were held are given below:

13<sup>th</sup> February, 2012

16<sup>th</sup> April, 2012

16<sup>th</sup> July, 2012

23<sup>rd</sup> October, 2012

**3. Audit Committee****(a) Terms of Reference**

- i. To investigate any activity within its terms of reference.
- ii. To seek information from any employee.
- iii. To obtain outside legal or other professional advice.
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

It may be clarified that the role of the Audit Committee includes matters specified under the Revised Clause 49 of the Listing Agreement entered into between the Company and the BSE Limited and the National Stock Exchange of India Limited on which the Company's shares are listed.

**(b) Composition, name of members and Chairperson**

As on 31<sup>st</sup> December, 2012, the Audit Committee comprised of 4 Non-Executive Directors viz. Mr. S. M. Datta, Mr. R. Gopalakrishnan, Mr. U. Khanna and Mr. R. Hewins with the Company Secretary being the Secretary to the Committee. Mr. U. Khanna, an Independent Director, is the Chairman of the Committee. Mr. R. Gopalakrishnan and Mr. S. M. Datta are Independent Directors on the Committee whereas Mr. R. Hewins is a Nominee Director of Castrol Limited, UK.

**(c) Meetings and attendance during the year**

4 meetings were held during the financial year 1<sup>st</sup> January, 2012 to 31<sup>st</sup> December, 2012. The attendance of each Member of the Committee is given below:

|                       | No. of Meetings attended | % of total Meetings attended during the tenure as a Director |
|-----------------------|--------------------------|--------------------------------------------------------------|
| Mr. U. Khanna         | 3                        | 75                                                           |
| Mr. S. M. Datta       | 4                        | 100                                                          |
| Mr. R. Gopalakrishnan | 4                        | 100                                                          |
| Mr. R. Hewins         | 3                        | 75                                                           |

**4. Remuneration Committee****(a) Terms of Reference**

The Remuneration Committee recommends remunerations, promotions, increments etc., for the Executive Directors, to the Board for approval.

**(b) Composition, names of members and Chairperson**

As of 31<sup>st</sup> December, 2012, the Committee comprised of 3 Non-Executive Directors viz. Mr. R. Gopalakrishnan, Mr. R. Hewins, and Mr. P. Weidner. Mr. R. Gopalakrishnan is an Independent Director whilst Mr. R. Hewins and Mr. P. Weidner are Nominee Directors of Castrol Limited, UK. Mr. R. Gopalakrishnan is the Chairman of the Committee.

Mr. P. Weidner was nominated with effect from 5<sup>th</sup> April, 2012 as a Director of the Company by Castrol Limited, UK in place of Mr. N. K. Kshatriya.

**(c) Attendance during the year**

One Meeting was held during the year. The attendance of each Member of the Committee is given below:

| Name(s) of the Committee Members | No. of Meetings Attended | % of total Meetings attended during the tenure as a Member |
|----------------------------------|--------------------------|------------------------------------------------------------|
| Mr. R. Gopalakrishnan            | 1                        | 100                                                        |
| Mr. R. Hewins                    | 1                        | 100                                                        |
| Mr. N. K. Kshatriya              | 1                        | 100                                                        |

**(d) Remuneration Policy**

The Directors are paid Salary and Performance Linked Bonus, which is calculated, based on pre-determined parameters of performance.

**(e) Details of Remuneration paid to all Directors (for the period 1<sup>st</sup> January, 2012 to 31<sup>st</sup> December, 2012)**

|                                                       | All elements of remuneration package i.e. Salary benefits bonuses, pension, etc. | Fixed component & performance linked incentives along with the performance criteria | Service Contracts notice severance fees | Stock option with details, whether issued at a discount as well as the period over which accrued and over which exercisable |
|-------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
|                                                       | (Rs. in Lacs)                                                                    | (Rs. in Lacs)                                                                       |                                         |                                                                                                                             |
| <b>i. Wholetime Director(s)</b>                       |                                                                                  |                                                                                     |                                         |                                                                                                                             |
| Mr. R. Kirpalani                                      | 177.17                                                                           | 37.45                                                                               |                                         |                                                                                                                             |
| Mr. S. Malekar (upto 31 <sup>st</sup> October, 2012)  | 111.31                                                                           | 20.88                                                                               | Please see Note 'a'                     | Please see Note 'b'                                                                                                         |
| Mr. S. Vaidya                                         | 157.72                                                                           | 29.91                                                                               |                                         |                                                                                                                             |
| Mr. B. Kamath (w.e.f. 1 <sup>st</sup> November, 2012) | 40.62                                                                            | 15.43                                                                               |                                         |                                                                                                                             |

**Notes**

- (a) The agreement with each Wholetime Director is for a period of 5 years. Further, either party to the agreement is entitled to terminate the Agreement by giving not less than six calendar months notice in writing to the other party.
- (b) Presently, the Company does not have a scheme for grant of stock options to its employees. However, the Management staff are entitled to the Shares of BP plc under the BP Sharematch scheme as in force.

| <b>ii. Non-Wholetime Director(s)</b> |                    |                          |
|--------------------------------------|--------------------|--------------------------|
|                                      | Sitting Fees (Rs.) | Commission (Rs. in lacs) |
| Mr. S. M. Datta                      | 1,30,000           | 10.00                    |
| Mr. R. Gopalakrishnan                | 90,000             | 8.00                     |
| Mr. U. Khanna                        | 60,000             | 8.00                     |

As on 31<sup>st</sup> December, 2012, Mr. S. M. Datta holds in his individual capacity and as a jointholder, 28,236 equity shares and Mr. U. Khanna holds 800 equity shares in the Company.

**5. Transfer & Shareholders'/Investors' Grievance Committee**

As on 31<sup>st</sup> December, 2012, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Mr. S. M. Datta, Mr. R. Kirpalani and Mr. S. Vaidya. Mr. Datta is the Chairman of the said Committee. The Company Secretary is the Secretary to the Committee.

- (a) Name of the Non-Executive Director heading the Committee : Mr. S. M. Datta
- (b) Name and Designation of Compliance Officer : Mr. A. H. Mody  
Company Secretary
- (c) No. of Shareholders complaints received during the financial year : 19 complaints were received from Stock Exchange/Securities and Exchange Board of India (SEBI)/NSDL/CDSL and were reported to the Transfer and Shareholders'/Investors' Grievance Committee in terms of Circular No.1(96-97) dated 25.7.1996 of SEBI.
- (d) Number of complaints not solved to the satisfaction of shareholders : All the 19 Complaints have been resolved to the satisfaction of the Complainants.
- (e) Number of pending complaints as on 31<sup>st</sup> December, 2012. : None

**6A. General Body Meetings**

- (a) Location and time where last three AGMs were held

| Location                                                                                               | Date        | Time       |
|--------------------------------------------------------------------------------------------------------|-------------|------------|
| (i) Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020                                              | : 16.4.2012 | 3.30 p.m.  |
| (ii) Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020                                         | : 27.6.2011 | 3.30. p.m. |
| (iii) Y. B. Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalya Gymkhana, Mumbai 400 021 | : 30.4.2010 | 11.00 a.m. |

- (b) Whether any Special Resolutions were passed in the previous 3 AGMs : Yes
- (c) Whether any Special Resolution was passed through Postal Ballot last year : Yes  
For amendments to the capital clause in the Articles of Association of the Company and for the increase in the Authorized share capital consequent to the issue of bonus shares
- Details of voting pattern : 99.41% votes in favor of the Resolution & 0.59% votes against the Resolution
- (d) Persons who conducted the Postal Ballot exercise : Ms. Shirin K. Bharucha — Scrutinizer
- (e) Whether any Special Resolution is proposed to be conducted through Postal Ballot : No
- (f) Procedure for Postal Ballot : Not Applicable.

**6B.** Notes on Directors seeking re-appointment as required under Clause 49 IV G (i) of the Listing Agreement entered into with BSE Limited and National Stock Exchange of India Limited.

**Mr. R. Gopalakrishnan**

Mr. R. Gopalakrishnan has been a professional manager for 45 years from 1967 onwards : 31 years in Unilever and 14 years with TATAs.

Mr. Gopalakrishnan had served in Jeddah as Chairman of Unilever Arabia; in Bangalore as the Managing Director of Brooke Bond Lipton India and finally as Vice-Chairman of Hindustan Lever Limited. Currently, he is the Executive Director of Tata Sons Limited. He studied physics at St. Xavier's Kolkatta, engineering at IIT Kharagpur and attended the Advanced Management Program at Harvard Business School.

He is a Director in the following Companies:

|                                    |               |
|------------------------------------|---------------|
| Rallis India Limited               | Chairman      |
| Tata Auto Comp Systems Limited     | Chairman      |
| Advinus Therapeutics Limited       | Chairman      |
| Metahelix Life Sciences Limited    | Chairman      |
| Dhaanya Seeds Limited              | Chairman      |
| Trust Energy Resources Pte Limited | Chairman      |
| IMACIDS. A.                        | Chairman      |
| Tata Chemicals Limited             | Vice-Chairman |
| Tata Sons Limited                  | Director      |
| Tata Power Company Limited         | Director      |
| Tata Technologies Limited          | Director      |
| Akzo Nobel India Limited           | Director      |
| ABP Private Limited                | Director      |
| Hemas Holdings PLC                 | Director      |

Mr. Gopalakrishnan does not hold any shares in the Company.

**Mr. S. Vaidya**

Mr. Sujit Vaidya is an Associate Member of the Institute of Chartered Accountants of India. He has over 24 years of experience in Finance, Accounts, Commercial and Business Advisory Services. Prior to joining Castrol India Limited, he had spent over 14 years working with several organizations including Citicorp, Procter & Gamble India, ITC-Agro Tech and The Boston Consulting Group. He joined Castrol India Limited in March 2003 as General Manager – Performance. Since then he has managed various senior roles within BP Group in India as well as abroad.

Mr. Vaidya is not a Director in any other Company nor does he hold any shares in the Company.

**Mr. B. Kamath**

Mr. Bijay Kamath graduated from N.I.T Surat with a Mechanical Engineering Degree and went on to complete his MBA in Operations Management from NMIMS, Mumbai.

Mr. Kamath joined Castrol India in April 2012 to take on the responsibility of the Supply Chain function for India & Middle East countries. His professional life began in 1995 with Procter & Gamble (P&G) at Mumbai, when Mr. Kamath joined them straight out of campus. In over 16 years that he spent with P&G, he has lived and worked in India, Singapore

and in the USA in various roles in the supply chain. His experience includes Supply Chain Planning – where he has had roles in India and in Singapore. He also has experience in plant operations – having managed plant operations both in India and in the USA. Mr. Kamath also has experience in handling projects. He has led plant consolidation projects and also led the project team that built P&G's skin care facility at Baddi.

Mr. Kamath does not hold any shares in the Company.

## 7. Disclosure

- (a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large. : None
- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. : None in the last three years
- (c) Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee. : Presently, the Company does not have a Whistle Blower Policy but has a policy similar to it for the entire BP Group of Companies worldwide which is called 'Open Talk'.  
No personnel of the Company has been denied access to the Audit Committee.

- (d) Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause. : The Company has complied with all the mandatory requirements of this clause.  
As regards the non-mandatory requirements the extent of Compliance has been stated in this report against each item.

## 8. Means of Communication

- (a) Quarterly Results : Published in the newspapers in terms of Clause 41 of the Listing agreement.
- (b) Newspapers in which results are normally published in : (i) **Business Standard**  
Mumbai, New Delhi, Kolkata, Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Hyderabad, Kochi, Lucknow and Pune in English editions.  
(ii) **Sakal** in Marathi.
- Any website, where displayed : Yes – [www.castrol.co.in](http://www.castrol.co.in)
- Whether it also displays official news releases : Yes
- The presentations made to institutional investors or to the analysts : No

### 9. General Shareholder Information

- (a) AGM : Friday  
Date, Time and Venue : 26<sup>th</sup> April, 2013.  
Y. B. Chavan Centre,  
General Jagannath Bhosale  
Marg, Next to Sachivalya  
Gymkhana,  
Mumbai 400 021.
- (b) Financial year : (i) January 2013 to  
December 2013.  
(ii) First quarter – 2013  
Results – 4<sup>th</sup> week  
of April, 2013.  
(iii) Half yearly Results –  
2013 – 2<sup>nd</sup>/3<sup>rd</sup> week of  
July, 2013.  
(iv) Third quarter – 2013  
Results – 2<sup>nd</sup>/3<sup>rd</sup> week of  
October, 2013.  
(v) Results for the year  
ending 31<sup>st</sup> December,  
2013 – January/  
February 2014.
- (c) Date of Book closure : Tuesday, 16<sup>th</sup> April, 2013 to  
Friday, 26<sup>th</sup> April, 2013 (both  
days inclusive).
- (d) Dividend Payment date(s) : Interim – 3<sup>rd</sup> August, 2012  
Final – 16<sup>th</sup> May, 2013.
- (e) Listing on the Bombay Stock Exchange, Limited (BSE) and National Stock Exchange of India Limited (NSE) : The Company has paid the listing fees for the period 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2013 in relation to both BSE & NSE.
- (f) (i) Stock Code Physical –  
BSE : 500870  
NSE : CASTROL  
(ii) Demat ISIN Number for NSDL & CDSL : INE 172A01019
- (g) Market price Data : Please See Annexure I of  
High/Low during this Report.  
each month in last  
Financial Year
- (h) Stock Performance : Please See Annexure II of  
in comparison this Report.  
to broad-based  
indices such as  
BSE Sensex,  
CRISIL Index etc.
- (i) Registrar and Transfer Agents : TSR Darashaw Private  
Limited (formerly known as  
Tata Share Registry Ltd.)  
6-10 Haji Moosa Patrawala  
Industrial Estate,  
20 Dr. E. Moses Road,  
Mahalakshmi,  
Mumbai 400 011.
- (j) Share Transfer System : The Company Secretary  
has been authorized to  
approve the transfer of  
shares which is done within  
the time-limit stipulated  
by the Listing Agreement.  
The said transfers are then  
noted at the subsequent  
Transfer and Shareholders'/  
Investors' Grievance  
Committee Meeting.
- (k)
- | Distribution of Shareholding as on 31-12-2012 | No. of Shares | No. of Share-holders | % of Share-holders |
|-----------------------------------------------|---------------|----------------------|--------------------|
| Upto 500                                      | 8395096       | 60550                | 74.55              |
| 501 – 1000                                    | 5860658       | 7894                 | 9.72               |
| 1001 – 2000                                   | 8027147       | 5412                 | 6.66               |
| 2001 – 3000                                   | 4900637       | 1993                 | 2.45               |
| 3001 – 4000                                   | 5121851       | 1428                 | 1.76               |
| 4001 – 5000                                   | 3337473       | 739                  | 0.91               |
| 5001 – 10000                                  | 14345840      | 2068                 | 2.55               |
| 10001 and above                               | 444572490     | 1133                 | 1.40               |
| Grand Total                                   | 494561192     | 81217                | 100.00             |

- (l) Dematerialisation of Shares and liquidity : 97.66% of the paid-up capital has been dematerialized as on 31<sup>st</sup> December, 2012. Entire shareholdings of Foreign Collaborator is in dematerialized form.
- (m) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity : The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.
- (n) Plant Locations : The Company's plants are located at Patalganga, Paharpur and Silvassa.
- (o) Address for Correspondence : i. Shareholders' correspondence should be addressed to:  
 TSR Darashaw Private Limited  
 Unit: Castrol India Limited,  
 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalakshmi, Mumbai 400 011  
 Tel. No. 6656 8484  
 Fax No. 6656 8494
- ii. Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants.

### Compensation Policy

As required under sub-clause IV E (iii) of the Revised clause 49 of the Listing Agreement with the BSE Limited and National Stock Exchange of

India Limited, the Compensation Policy in relation to the Non-Executive Directors of the Company has been displayed on the Company's website referred to above.

### B. NON-MANDATORY REQUIREMENTS

1. (a) **Chairman of the Board** : The Chairman of the Board is not entitled to maintain a Chairman's office. However, the Company from time to time reimburses to him expenses in relation to the Chairman's office in connection with the performance of his duties as Chairman of the Company.
- Whether Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties
- (b) **Independent Directors** : The Company's board comprises of Independent Directors who besides being individuals who possess great integrity, have decades of experience and are also leaders in their respective fields. Some of them therefore, have a long and fruitful association with the Company.
- In view of what is stated above, Mr. S.M. Datta, who is the Chairman of the Company and Mr. Gopalakrishnan have a term of office exceeding nine years as Directors of the Company.
2. **Remuneration Committee** : Please refer to Sr. No. 4 (Part A) of this Report

3. **Shareholder Rights** : As the Company's half yearly results are published in English newspapers having a circulation all over India and in a Marathi newspaper (having a circulation in Mumbai), the same are not sent to the shareholders of the Company.
- The half-yearly declaration of financial performance including summary of the significant events in last six months may be sent to each household of Shareholders
- Normally, there is no second half-yearly results as the audited results are taken on record by the Board and then communicated to the shareholders through the Annual Report.
4. **Audit Qualification** : There are no qualifications contained in the Audit Report.
5. **Training of Board Members** : As mentioned in 1(b) above, the Independent Directors of the Company are individuals having long years of experience, knowledge and skill as well as being leaders in their respective fields. Similarly both the Wholetime Directors & Director's nominated by the Parent Company also have long years of experience in their respective fields. Both the wholetime and nominee directors undergo training from time to time, both internal and external – interalia, in the business model of the Company, the risk profile of the business of the Company and responsibilities as Directors of the Company.
6. **Mechanism for evaluating Non-Executive Board Members** : There is no formal mechanism for evaluation of the performance of the Non-Executive Directors, more so for the reasons mentioned in 1(b).
- The performance evaluation of Non-Executive Directors may be done by a Peer Group comprising the entire Board of Directors, excluding the Director being evaluated; and Peer Group evaluation should be the mechanism to determine whether to extend/continue the terms of appointment of Non-Executive Directors
7. **Whistle Blower Policy** : Presently the Company does not have a separate Whistle Blower policy but has a policy similar to it for the entire BP Group of Companies worldwide which is referred to as 'Open Talk'. Any employee/third party can access the same.
- The Company to have such a policy

On behalf of the Board of Directors

R. Kirpalani

*Director – Automotive &  
Chief Operating Officer*

S. Vaidya

*Director – Finance*

B. Kamath

*Director – Supply Chain*

Mumbai

Dated: 15<sup>th</sup> March, 2013

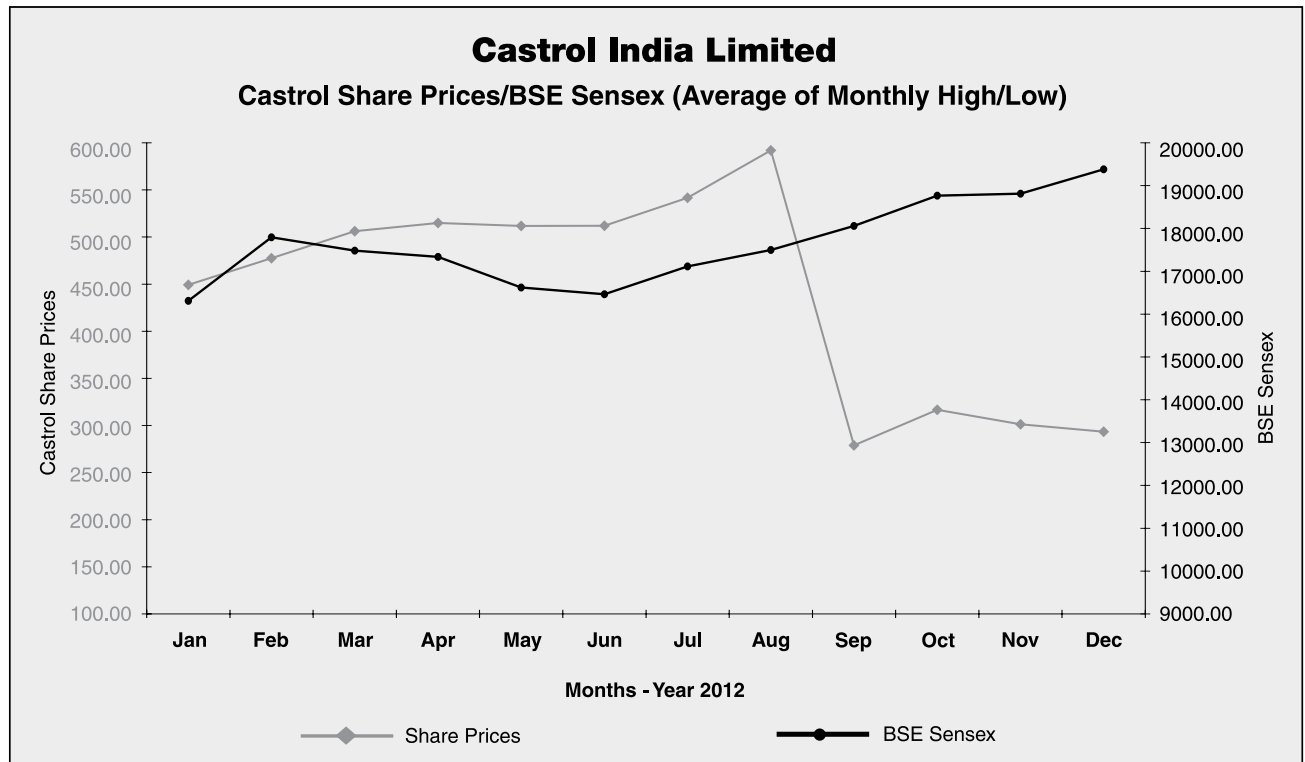


**Castrol India Limited****Annexure I****BSE Market Price Data - High/Low during each month in the Year 2012**

| Month     | Rate (Rs.) |        |
|-----------|------------|--------|
|           | Highest    | Lowest |
| January   | 490.05     | 408.35 |
| February  | 493.25     | 461.90 |
| March     | 531.90     | 480.40 |
| April     | 540.10     | 489.75 |
| May       | 533.40     | 490.30 |
| June      | 543.65     | 480.25 |
| July      | 555.25     | 528.05 |
| August    | 625.55     | 558.25 |
| September | 284.50     | 273.35 |
| October   | 331.55     | 301.60 |
| November  | 309.65     | 292.85 |
| December  | 300.20     | 286.45 |

Note: Bonus shares were allotted on 6<sup>th</sup> September, 2012 in the ratio of 1:1

Annexure II



Note: Bonus shares were allotted on 6<sup>th</sup> September, 2012 in the ratio of 1:1

On behalf of the Board of Directors

R. Kirpalani  
 Director – Automotive & Chief Operating Officer

S. Vaidya  
 Director – Finance

B. Kamath  
 Director – Supply Chain

Mumbai  
 Dated: 15<sup>th</sup> March, 2013

**ANNEXURE C**

In accordance with Clause 49 sub-clause (I) (D) (ii) of the Listing Agreement executed with the BSE Limited and the National Stock Exchange of India Limited, I in my capacity as the Chief Operating Officer of the Company hereby confirm that all members of the Board of Directors and Senior Management Personnel of the Company have affirmed their Compliance for the financial year 2012 with the Company's Code of Conduct.

For CASTROL INDIA LIMITED,

R. Kirpalani  
*Chief Operating Officer*

*Place : Mumbai.*

*Dated : 15<sup>th</sup> March, 2013.*

**AUDITORS' CERTIFICATE**

To,

The Members of Castrol India Limited

We have examined the compliance of conditions of Corporate Governance by Castrol India Limited, for the year ended on December 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange(s).

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

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

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

For S. R. Batliboi & Co.  
Firm Registration No. 301003E  
*Chartered Accountants*

per Ravi Bansal  
*Partner*  
*Membership No. : 49365*

*Place : Mumbai.*

*Dated : 15<sup>th</sup> March, 2013.*

## Shareholding Pattern as on 31st December, 2012

| Sr. No. | Category                        | No. of Shareholders | No. of Shares held | % to paid-up capital |
|---------|---------------------------------|---------------------|--------------------|----------------------|
| (i)     | Foreign Collaborator            | 1                   | 350749820          | 70.92                |
| (ii)    | Foreign Company                 | 1                   | 541896             | 0.11                 |
| (iii)   | Foreign Institutional Investors | 76                  | 40250501           | 8.14                 |
| (iv)    | Overseas Bodies Corporate       | 2                   | 4000               | 0.00                 |
| (v)     | Non-Resident Individuals        | 1167                | 1166222            | 0.23                 |
| (vi)    | Financial Institutions          | 18                  | 23628302           | 4.78                 |
| (vii)   | Indian Mutual Funds             | 38                  | 4731633            | 0.96                 |
| (viii)  | (a) Nationalised Banks          | 20                  | 17616              | 0.00                 |
|         | (b) Other Banks                 | 49                  | 86065              | 0.02                 |
| (ix)    | Domestic Companies              | 1573                | 7907543            | 1.60                 |
| (x)     | Resident Individuals            | 78269               | 65448558           | 13.23                |
| (xi)    | Directors & Relatives           | 3                   | 29036              | 0.01                 |
|         | <b>Grand Total</b>              | <b>81217</b>        | <b>494561192</b>   | <b>100</b>           |

**Auditors' Report**

To

The Members of Castrol India Limited

1. We have audited the attached Balance Sheet of Castrol India Limited as at December 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on December 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2012;
    - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.  
Firm Registration No.: 301003E  
Chartered Accountants

per Ravi Bansal  
Partner  
Membership No.: 49365

Place : Mumbai  
Date : February 27, 2013

**Annexure referred to in paragraph 3 of our report of even date****Re: Castrol India Limited ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time except in respect of certain transactions, where because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, related to the manufacture of Lubricating Oils and Greases and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

| Name of Statute                                        | Nature of Dues            | Amount<br>(Rs. Crores) | Period to which<br>amount relates | Forum where dispute is<br>pending                                                                                      |
|--------------------------------------------------------|---------------------------|------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Local Sales Tax Act, VAT Act and Central Sales Tax Act | Tax, Interest and Penalty | 107.68                 | 1987 to 2011                      | Assistant/Deputy/<br>Additional/Joint/Special,<br>Revisional Board/<br>Commissioner, Tribunal &<br>High Court.         |
| Central Excise Act, 1944                               | Duty and Penalty          | 22.91                  | 1987 to 2012                      | Assistant/Deputy/<br>Additional/Joint Commissioner,<br>Commissioner (A), CESTAT,<br>High Court & The Supreme<br>Court. |
| Customs Act, 1962                                      | Duty and Interest         | 2.83                   | 1997 to 2006                      | Tribunal                                                                                                               |
| Service Tax, Chapter V of the Finance Act, 1994        | Tax and Penalty           | 93.51                  | 1997 to 2012                      | Assistant/Deputy/<br>Additional/Joint Commissioner,<br>Commissioner (A), CESTAT &<br>High Court.                       |

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to bank. The Company has no outstanding dues in respect of financial institution or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xxi) We have been informed that *there has been an instance of misappropriation of inventory by transporter and contractors amounting to Rs. 468,867 and one instance of wrongful over claiming of expenses by an employee amounting to Rs. 5,150.* The Company has taken appropriate action against the concerned transporter, contractors and employee.

For S. R. Batliboi & Co.  
Firm Registration No.: 301003E  
Chartered Accountants

per Ravi Bansal  
Partner  
Membership No.: 49365

Place : Mumbai  
Date : February 27, 2013



## Balance Sheet as at December 31, 2012

| Particulars                    | Note No. | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|--------------------------------|----------|------------------------------------------------|------------------------------------------------|
| <b>EQUITY AND LIABILITIES</b>  |          |                                                |                                                |
| <b>Shareholders' funds</b>     |          |                                                |                                                |
| Share capital                  | 3        | 494.56                                         | 247.28                                         |
| Reserves and surplus           | 4        | 154.67                                         | 356.92                                         |
|                                |          | <b>649.23</b>                                  | 604.20                                         |
| <b>Non-current liabilities</b> |          |                                                |                                                |
| Trade payables                 | 7        | —                                              | 3.36                                           |
| Other long-term liabilities    | 5        | 8.29                                           | 9.06                                           |
| Long-term provisions           | 6        | 3.43                                           | 3.42                                           |
|                                |          | <b>11.72</b>                                   | 15.84                                          |
| <b>Current liabilities</b>     |          |                                                |                                                |
| Trade payables                 | 7        | 436.63                                         | 392.73                                         |
| Other current liabilities      | 7        | 118.58                                         | 102.94                                         |
| Short-term provisions          | 6        | 263.41                                         | 277.11                                         |
|                                |          | <b>818.62</b>                                  | 772.78                                         |
| <b>TOTAL</b>                   |          | <b>1,479.57</b>                                | 1,392.82                                       |
| <b>ASSETS</b>                  |          |                                                |                                                |
| <b>Non-current assets</b>      |          |                                                |                                                |
| Fixed assets                   |          |                                                |                                                |
| Tangible assets                | 8        | 125.07                                         | 110.83                                         |
| Intangible assets              | 8        | 1.05                                           | 1.69                                           |
| Capital work-in-progress       |          | 30.96                                          | 29.30                                          |
| Deferred tax assets (net)      | 9        | 65.09                                          | 56.24                                          |
| Long-term loans and advances   | 10       | 84.85                                          | 68.32                                          |
| Other assets                   | 14       | 0.26                                           | —                                              |
|                                |          | <b>307.28</b>                                  | 266.38                                         |
| <b>Current assets</b>          |          |                                                |                                                |
| Inventories                    | 11       | 315.76                                         | 300.92                                         |
| Trade receivables              | 12       | 219.63                                         | 218.95                                         |
| Cash and bank balances         | 13       | 574.59                                         | 549.00                                         |
| Short-term loans and advances  | 10       | 48.02                                          | 49.06                                          |
| Other assets                   | 14       | 14.29                                          | 8.51                                           |
|                                |          | <b>1,172.29</b>                                | 1,126.44                                       |
| <b>TOTAL</b>                   |          | <b>1,479.57</b>                                | 1,392.82                                       |

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements.

As per our report of even date  
For S. R. BATLIBOI & CO.  
Chartered Accountants  
Firm Registration no : 301003E

per RAVI BANSAL  
Partner  
Membership No. : 49365

Place: Mumbai  
February 27, 2013

A. H. MODY  
Company Secretary

For and on behalf of Board of Directors

S. M. DATTA

Chairman

R. KIRPALANI

Chief Operating Officer

Executive Directors

S. VAIDYA

B. KAMATH

Non-Executive Directors

R. GOPALAKRISHNAN

U. KHANNA

R. HEWINS

P. WEIDNER

S. MUKUNDAN

## Statement of Profit and Loss for the year ended December 31, 2012

| Particulars                                                                  | Note No. | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|------------------------------------------------------------------------------|----------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>INCOME</b>                                                                |          |                                                             |                                                             |
| Revenue from operations (gross)                                              | 15       | 3,605.38                                                    | 3,439.23                                                    |
| Less: Excise duty                                                            |          | 484.52                                                      | 445.96                                                      |
| Revenue from operations (net)                                                |          | 3,120.86                                                    | 2,993.27                                                    |
| Other income                                                                 | 16       | 72.18                                                       | 73.09                                                       |
| <b>Total revenue</b>                                                         |          | <b>3,193.04</b>                                             | <b>3,066.36</b>                                             |
| <b>EXPENSES</b>                                                              |          |                                                             |                                                             |
| Cost of materials consumed                                                   | 17.1     | 1,689.44                                                    | 1,595.48                                                    |
| Purchase of traded goods                                                     | 17.2     | 146.83                                                      | 125.82                                                      |
| (Increase)/decrease in inventories                                           | 17.3     | (12.00)                                                     | (26.81)                                                     |
| Employee benefits expense                                                    | 18       | 128.40                                                      | 115.90                                                      |
| Other expenses                                                               | 19       | 545.58                                                      | 513.23                                                      |
| <b>Total expenses</b>                                                        |          | <b>2,498.25</b>                                             | <b>2,323.62</b>                                             |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |          | <b>694.79</b>                                               | <b>742.74</b>                                               |
| Depreciation and amortisation expense                                        | 20       | 26.64                                                       | 25.11                                                       |
| Finance costs                                                                | 21       | 1.83                                                        | 1.68                                                        |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                                              |          | <b>666.32</b>                                               | <b>715.95</b>                                               |
| <b>Tax expenses</b>                                                          |          |                                                             |                                                             |
| Current tax                                                                  |          | 227.78                                                      | 255.44                                                      |
| Deferred tax                                                                 |          | (8.85)                                                      | (19.13)                                                     |
| Short/(excess) provision of tax relating to earlier years                    |          | –                                                           | (1.39)                                                      |
| <b>Total tax expenses</b>                                                    |          | <b>218.93</b>                                               | <b>234.92</b>                                               |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                                            |          | <b>447.39</b>                                               | <b>481.03</b>                                               |
| Nominal value of share (Rs.)                                                 |          | 10.00                                                       | 10.00                                                       |
| Earning per equity share – Basic & Diluted (Rs.)                             | 22       | 9.05                                                        | 9.73                                                        |
| Summary of significant accounting policies                                   | 2        |                                                             |                                                             |

The accompanying notes are an integral part of the financial statements.

As per our report of even date  
For S. R. BATLIBOI & CO.  
Chartered Accountants  
Firm Registration no : 301003E

per RAVI BANSAL  
Partner  
Membership No. : 49365

Place: Mumbai  
February 27, 2013

For and on behalf of Board of Directors

S. M. DATTA Chairman R. KIRPALANI Chief Operating Officer

Executive Directors

S. VAIDYA B. KAMATH

Non-Executive Directors

R. GOPALAKRISHNAN U. KHANNA  
R. HEWINS P. WEIDNER  
S. MUKUNDAN

## Cash Flow Statement for the year ended December 31, 2012

| Particulars                                                           | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-----------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Cash Flow from Operating Activities</b>                            |                                                |                                                |
| <b>Net profit before tax</b>                                          | <b>666.32</b>                                  | 715.95                                         |
| Non-cash adjustment to reconcile profit before tax to net cash flows: |                                                |                                                |
| Depreciation and amortisation expenses                                | 26.64                                          | 25.11                                          |
| Loss on disposal/write off of fixed assets (net)                      | 1.79                                           | 4.83                                           |
| Provision for doubtful advances (net)                                 | 0.48                                           | 1.50                                           |
| Provision for doubtful debts (net)                                    | 5.16                                           | 1.67                                           |
| Unrealised foreign exchange (gain)/loss                               | 0.12                                           | 2.27                                           |
| Finance costs                                                         | 1.83                                           | 1.68                                           |
| Interest (income)                                                     | (41.34)                                        | (51.43)                                        |
| <b>Operating profit before working capital changes</b>                | <b>661.00</b>                                  | 701.58                                         |
| Movements in working capital:                                         |                                                |                                                |
| Decrease/(increase) in inventories                                    | (14.84)                                        | (56.72)                                        |
| Decrease/(increase) in trade receivables                              | (5.84)                                         | (42.19)                                        |
| Decrease/(increase) in short-term loans & advances                    | 1.04                                           | 7.55                                           |
| Decrease/(increase) in long-term loans & advances                     | (16.99)                                        | (8.14)                                         |
| Increase/(decrease) in other long-term liabilities                    | (0.77)                                         | (2.78)                                         |
| Increase/(decrease) in other current liabilities                      | 15.45                                          | (7.34)                                         |
| Increase/(decrease) in long-term provisions                           | 0.01                                           | (0.42)                                         |
| Increase/(decrease) trade payables                                    | 43.90                                          | 23.03                                          |
| Increase/(decrease) long-term trade payables                          | (3.36)                                         | 3.36                                           |
| Increase/(decrease) short-term provisions                             | 3.71                                           | 0.40                                           |
| Cash generated from/(used in) operations                              | <b>683.31</b>                                  | 618.33                                         |
| Direct taxes paid (net of refunds)                                    | (216.46)                                       | (265.95)                                       |
| <b>Net Cash Flow from/(used in) Operating Activities</b>              | <b>(A) 466.85</b>                              | 352.38                                         |
| <b>Cash Flows from Investing Activities</b>                           |                                                |                                                |
| Purchase of fixed assets, including CWIP                              | (43.70)                                        | (38.12)                                        |
| Proceeds from sale of fixed assets                                    | 0.01                                           | 0.28                                           |
| Margin deposits                                                       | 8.91                                           | 0.91                                           |
| Interest received                                                     | 35.56                                          | 47.98                                          |
| <b>Net Cash Flow from/(used in) Investing Activities</b>              | <b>(B) 0.78</b>                                | 11.05                                          |

**Cash Flow** (contd.)

| Particulars                                                 |                | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-------------------------------------------------------------|----------------|------------------------------------------------|------------------------------------------------|
| <b>Cash Flows from Financing Activities</b>                 |                |                                                |                                                |
| Dividend paid                                               |                | (370.92)                                       | (370.92)                                       |
| Dividend tax paid                                           |                | (60.17)                                        | (60.17)                                        |
| Interest paid                                               |                | (1.78)                                         | (1.68)                                         |
| <b>Net Cash Flow from/(used in) Financing Activities</b>    | <b>(C)</b>     | <b>(432.87)</b>                                | <b>(432.77)</b>                                |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b> | <b>(A+B+C)</b> | <b>34.76</b>                                   | <b>(69.34)</b>                                 |
| Cash and cash equivalents at the beginning of the year      |                | 539.83                                         | 609.17                                         |
| <b>Cash and Cash Equivalents at the end of the year</b>     |                | <b>574.59</b>                                  | <b>539.83</b>                                  |
| <b>Components of Cash and Cash Equivalents</b>              |                |                                                |                                                |
| Cash on hand                                                |                | 0.02                                           | 0.01                                           |
| Balance with banks:                                         |                |                                                |                                                |
| On current accounts                                         |                | 9.63                                           | 43.16                                          |
| Deposits with original maturity of less than 3 months       |                | 74.56                                          | 48.00                                          |
| Deposits with original maturity of more than 3 months       |                | 483.60                                         | 442.84                                         |
| Unclaimed dividend account (note b)                         |                | 6.78                                           | 5.82                                           |
| <b>Total Cash and Cash Equivalents (note 13)</b>            |                | <b>574.59</b>                                  | <b>539.83</b>                                  |

**Notes:**

- (a) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement as notified under Companies (Accounting Standards) Rules, 2006 (as amended).
- (b) The Company can utilise these balances only towards settlement of unclaimed dividend.
- (c) Previous year's figures have been regrouped wherever necessary.

As per our report of even date  
For S. R. BATLIBOI & CO.  
Chartered Accountants  
Firm Registration no : 301003E

per RAVI BANSAL  
Partner  
Membership No. : 49365

Place: Mumbai  
February 27, 2013

For and on behalf of Board of Directors

S. M. DATTA

Chairman

R. KIRPALANI

Chief Operating Officer

Executive Directors

S. VAIDYA

B. KAMATH

Non-Executive Directors

R. GOPALAKRISHNAN

U. KHANNA

R. HEWINS

P. WEIDNER

S. MUKUNDAN

## Notes to the Financial Statements for the year ended December 31, 2012

### 1. Corporate information

Castrol India Limited (the 'Company') is a public limited company domiciled in India and incorporated under the provisions of the Companies Act 1956. The Company is engaged in the business of manufacturing & marketing of Automotive, Non-Automotive Lubricants and related services.

#### 1.1. Basis of preparation of accounts:

The Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in India, mandatory accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis, except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies applied by the Company are consistent with those used in the previous year.

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

### 2. Significant accounting policies

#### a. Change in presentation and disclosure of Financial Statements

This is the first year of application of the revised Schedule VI to the Companies Act, 1956 for the preparation of the Financial Statements of the Company. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone a reclassification to comply with the requirements of revised Schedule VI. Pursuant to revised Schedule VI, there is no effect on the recognition and measurement principles followed for preparation of Financial Statements.

#### b. Use of estimates

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

#### c. Tangible fixed assets

Tangible Fixed Assets are stated at cost less accumulated depreciation and impairment provision. The cost comprises the purchase price (net of Cenvat and VAT wherever applicable) and any attributable cost of bringing the assets to its working condition for its intended use.

#### d. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

#### e. Depreciation and amortisation

Depreciation is provided pro-rata to the period of use on straight-line method based on the estimated useful lives of the assets, which have been determined by management, as stated below. These rates of depreciation are higher than the rates specified under Schedule XIV of the Companies Act, 1956.

## Notes to the Financial Statements for the year ended December 31, 2012

### 2. Significant accounting policies (contd.)

| Asset description                    | Useful life as per management |
|--------------------------------------|-------------------------------|
| Residential and office building      | 25 years                      |
| Factory building                     | 30 years                      |
| Plant & machinery                    | 10 years to 21 years          |
| Moulds                               | 4 years                       |
| Furniture & fixtures                 | 8 years                       |
| Office equipments                    | 10 years                      |
| Computers                            | 4 years                       |
| Vehicles                             | 4 years                       |
| Workshop equipments [refer note (i)] | 2 years to 4 years            |
| Equipment and boards with dealers    | 3 years                       |
| Computer software                    | 4 years                       |

- (i) Workshop equipments provided against sales agreements are depreciated over the standard period of agreement.
- (ii) Lease-hold land and lease-hold improvements are being amortised on a straight line basis over the period of lease.
- (iii) Assets individually costing less than Rs. 5,000/- are fully depreciated in the year of acquisition.

#### f. Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

#### g. Leases

Where the Company is lessee

##### Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets during the lease term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

#### h. Inventories

- (i) Raw materials, packages, traded items and finished goods are valued at lower of real time weighted average cost and net realisable value. Cost of finished goods includes material and packaging cost, proportion of manufacturing overheads based on normal operating capacity and excise duty. Custom duty on stock lying in bonded warehouses is included in cost.
- (ii) Stores and consumables are valued at cost.
- (iii) Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

#### i. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

## Notes to the Financial Statements for the year ended December 31, 2012

### 2. Significant accounting policies (contd.)

#### Sale of goods

Sales are recognised when goods are supplied and are recorded net of rebates and sales tax/VAT and inclusive of excise duty.

#### Income from services

Income from service rendered is recognised based on the terms of the agreements as and when services are rendered and are net of service tax (wherever applicable).

#### Interest

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### j. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand, fixed deposits with banks which are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### k. Retirement and other employee benefits

##### Long term employee benefits

##### Defined contribution plans

Company's contributions paid/payable during the year to Company's Pension Fund, ESIC and Labour Welfare Fund, Medical Insurance Benefits, Post Retrial Medical Benefit Scheme and sharematch are recognised in the Statement of Profit and Loss.

##### Defined benefit plans

Company's liabilities towards gratuity, provident fund, survivor protection (death benefit), pension benefit to past employees are actuarially determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services in relation to benefits mentioned above are recognised on a straight line basis over the average period until the amended benefits become vested. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as an income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government Securities where the currency and terms of the Government Securities are consistent with the currency and estimated terms of the defined benefit obligation.

Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Short term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered.

Voluntary Retirement Scheme expenses are fully charged to the Statement of Profit and Loss in the year in which they accrue. Refer note 23 for disclosure as per revised AS 15.

#### l. Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. All monetary assets and liabilities as at the Balance Sheet date, are reinstated at the applicable exchange rates prevailing on that date. All exchange differences arising on transactions, are charged to Statement of Profit and Loss. All non-monetary assets and liabilities are reported using the exchange rate prevailing at the date of the transaction.

## Notes to the Financial Statements for the year ended December 31, 2012

### 2. Significant accounting policies (contd.)

#### m. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax is recognised at the Balance Sheet date, subject to the considerations of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The tax year for the Company being the year ending March 31, the provision for taxation for the year is aggregate of the provision made for the three months ended on March 31, 2012 and the provision for the remaining period of nine months ending on December 31, 2012. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2012-13 to Profit Before Tax of the said period.

#### n. Provisions

The provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

#### o. Segment reporting

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the Financial Statements of the Company as a whole. The Company's operating businesses are organised and managed separately according to the nature of products and services provided. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate. Revenues and expenses directly attributable to segments are reported under each reportable segment. Revenue and expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocable".

#### p. Earning per share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). For the purpose of calculating diluted earning per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### q. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the Financial Statements.

#### r. Measurement of EBITDA

As permitted by the Guidance Note on the revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest expense, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the Statement of the Profit and Loss. In its measurement, the Company doesn't include depreciation and amortisation expenses, finance costs and tax expenses.



## Notes to the Financial Statements for the year ended December 31, 2012

### 3. Share capital

|                                                                 | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-----------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Authorised shares</b>                                        |                                                |                                                |
| 495,000,000 (2011 : 248,000,000) equity shares of Rs. 10/- each | 495.00                                         | 248.00                                         |
|                                                                 | <u>495.00</u>                                  | <u>248.00</u>                                  |
| <b>Issued, subscribed and fully paid-up shares</b>              |                                                |                                                |
| 494,561,192 (2011 : 247,280,596) equity shares of Rs. 10/- each | 494.56                                         | 247.28                                         |
|                                                                 | <u>494.56</u>                                  | <u>247.28</u>                                  |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year:**

|                                                            | As at<br>December 31, 2012 |                     | As at<br>December 31, 2011 |                     |
|------------------------------------------------------------|----------------------------|---------------------|----------------------------|---------------------|
|                                                            | No. of<br>Shares           | Rupees<br>in Crores | No. of<br>Shares           | Rupees<br>in Crores |
| At the beginning of the year                               | 247,280,596                | 247.28              | 247,280,596                | 247.28              |
| Bonus shares issued during the year [refer note (i) below] | 247,280,596                | 247.28              | -                          | -                   |
| <b>Outstanding at the end of the year</b>                  | <u>494,561,192</u>         | <u>494.56</u>       | <u>247,280,596</u>         | <u>247.28</u>       |

Note (i) The Company has allotted bonus shares on September 6, 2012 in the ratio of one equity share for every one equity share of Rs. 10/- each held in the Company on the record date.

**b. Terms/rights attached to equity shares:**

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividend in Indian Rupees.

During the year ended December 31, 2012, the amount of per share interim dividend recognised as distribution to equity shareholders was **Rs. 7.00** (2011 : Rs. 7.00). The amount of interim dividend distributed to equity shareholders is **Rs. 173.10 crores** (2011 : Rs. 173.10 crores). In addition, the Company has also proposed a per share final dividend recognised as distribution to equity shareholders of **Rs. 3.50** (2011 : Rs. 8.00). The amount of final proposed dividend distributed to equity shareholders is **Rs. 173.10 crores** (2011 : Rs. 197.82 crores). Both dividends aggregating to **Rs. 10.50** per share (2011 : Rs. 15.00 per share). The said final dividend is on the enhanced paid up share capital post issue of bonus shares in the ratio of 1:1.

In the event of the Company being liquidated, since the equity shares of the Company are fully paid-up, there would be no additional liability on the shareholders of the Company. However, post settlement of the liabilities of the Company, the surplus, if any, would be distributed amongst the shareholders in proportion to the number of shares held by each one of them.

**c. Equity shares in the Company held by its holding/ultimate holding company and/or their subsidiaries/associates are as below:**

|                                                                                                                                  | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Castrol Limited, U.K. 350,749,820 (2011 : 175,374,910) equity shares of Rs. 10/- each fully paid (holding company)               | 350.75                                         | 175.37                                         |
| BP Mauritius Limited 541,896 (2011 : 270,948) equity shares of Rs. 10/- each fully paid (subsidiary of ultimate holding company) | 0.54                                           | 0.27                                           |

**d. Aggregate number of bonus shares issued, for consideration other than cash during the period of five years immediately preceding the reporting date**

|                                                                                        | As at<br>December 31, 2012<br>No. of Shares | As at<br>December 31, 2011<br>No. of Shares |
|----------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Equity shares allotted as fully paid bonus shares by capitalisation of general reserve | 370,920,894                                 | 123,640,298                                 |

## Notes to the Financial Statements for the year ended December 31, 2012

### 3. Share capital (contd.)

e. Details of shareholder holding more than 5% shares in the Company are as below:

|                                                                       | As at<br>December 31, 2012 |                           | As at<br>December 31, 2011 |                           |
|-----------------------------------------------------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|                                                                       | No. of<br>Shares           | % holding in<br>the class | No. of<br>Shares           | % holding in<br>the class |
| Equity shares of Rs. 10/- each fully paid up<br>Castrol Limited, U.K. | 350,749,820                | 70.92%                    | 175,374,910                | 70.92%                    |

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

### 4. Reserves and surplus

|                                                                                           | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Capital reserve</b>                                                                    | 13.62                                          | 13.62                                          |
| <b>General reserve</b>                                                                    |                                                |                                                |
| Balance as per the last financial statements                                              | 300.06                                         | 251.95                                         |
| Less: Utilised towards issue of fully paid bonus shares                                   | 247.28                                         | –                                              |
| Add: Amount transferred from surplus balance in the Statement of Profit and Loss          | 44.74                                          | 48.11                                          |
| <b>Closing balance</b>                                                                    | <b>97.52</b>                                   | <b>300.06</b>                                  |
| <b>Surplus/(deficit) in the Statement of Profit and Loss</b>                              |                                                |                                                |
| Balance as per last financial statements                                                  | 43.24                                          | 40.65                                          |
| Profit for the year                                                                       | 447.39                                         | 481.03                                         |
| <b>Less: Appropriations</b>                                                               |                                                |                                                |
| Interim dividend on equity shares [amount per share<br>Rs. 7.00 (2011 : Rs. 7.00)]        | 173.10                                         | 173.10                                         |
| Tax on interim dividend                                                                   | 28.08                                          | 28.08                                          |
| Proposed final dividend on equity shares [amount per share<br>Rs. 3.50 (2011 : Rs. 8.00)] | 173.10                                         | 197.82                                         |
| Tax on final dividend                                                                     | 28.08                                          | 32.09                                          |
| Tax on final dividend 2010                                                                | –                                              | (0.76)                                         |
| Transfer to general reserve                                                               | 44.74                                          | 48.11                                          |
| Total appropriations                                                                      | 447.10                                         | 478.44                                         |
| Net surplus in the Statement of Profit and Loss                                           | 43.53                                          | 43.24                                          |
| <b>Total reserves and surplus</b>                                                         | <b>154.67</b>                                  | <b>356.92</b>                                  |

### 5. Other long-term liabilities

|                           | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|---------------------------|------------------------------------------------|------------------------------------------------|
| Employee benefits payable | 7.68                                           | 8.47                                           |
| Security deposit          | 0.61                                           | 0.59                                           |
|                           | <b>8.29</b>                                    | <b>9.06</b>                                    |

## Notes to the Financial Statements for the year ended December 31, 2012

## 6. Provisions

|                                                        | Long-term                                      |                                                | Short-term                                     |                                                |
|--------------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                        | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| <b>Provision for employee benefits</b>                 |                                                |                                                |                                                |                                                |
| Provision for company pension plan                     | 1.51                                           | 1.60                                           | 0.16                                           | 0.17                                           |
| Provision for survivor protection scheme               | 0.17                                           | 0.15                                           | 0.02                                           | 0.02                                           |
| Provision for leave benefits                           | 1.75                                           | 1.67                                           | 0.13                                           | 0.13                                           |
|                                                        | <u>3.43</u>                                    | <u>3.42</u>                                    | <u>0.31</u>                                    | <u>0.32</u>                                    |
| <b>Other provisions</b>                                |                                                |                                                |                                                |                                                |
| Provision for tax (net of advance tax)                 | –                                              | –                                              | 25.26                                          | 13.94                                          |
| Provision for indirect taxes<br>[refer note (a) below] | –                                              | –                                              | 36.66                                          | 32.94                                          |
| Provision for proposed final dividend                  | –                                              | –                                              | 173.10                                         | 197.82                                         |
| Provision for tax on proposed final dividend           | –                                              | –                                              | 28.08                                          | 32.09                                          |
|                                                        | <u>–</u>                                       | <u>–</u>                                       | <u>263.10</u>                                  | <u>276.79</u>                                  |
|                                                        | <u>3.43</u>                                    | <u>3.42</u>                                    | <u>263.41</u>                                  | <u>277.11</u>                                  |

## Notes:

## (a) Movement in provision for indirect taxes:

|                               | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                               | Excise, customs<br>and service tax             | Sales tax<br>and VAT                           | Excise, customs<br>and service tax             | Sales tax<br>and VAT                           |
| Balance as at January 1       | 6.23                                           | 26.71                                          | 7.47                                           | 25.40                                          |
| Addition during the year      | 0.69                                           | 6.85                                           | 0.99                                           | 1.68                                           |
| Reversed/paid during the year | 0.62                                           | 3.20                                           | 2.23                                           | 0.37                                           |
| Balance as at December 31     | <u>6.30</u>                                    | <u>30.36</u>                                   | <u>6.23</u>                                    | <u>26.71</u>                                   |
| <b>Total</b>                  |                                                | <u>36.66</u>                                   |                                                | <u>32.94</u>                                   |

(b) The Company has made provisions for known litigation cases and pending assessments in respect of taxes, duties and other levies, the outflow of which would depend on cessation of respective events.

## Notes to the Financial Statements for the year ended December 31, 2012

## 7. Trade payables and other current liabilities

|                                                                                             | Non-current                                    |                                                | Current                                        |                                                |
|---------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                                                             | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| <b>Trade payables</b><br>(Refer note 27 for details of dues to micro and small enterprises) | –                                              | 3.36                                           | <b>436.63</b>                                  | 392.73                                         |
| <b>Other current liabilities</b>                                                            |                                                |                                                |                                                |                                                |
| Capital trade payables                                                                      | –                                              | –                                              | <b>11.45</b>                                   | 6.88                                           |
| Interest accrued and dues on security deposit                                               | –                                              | –                                              | <b>0.48</b>                                    | 0.43                                           |
| Advance from customers                                                                      | –                                              | –                                              | <b>2.69</b>                                    | 2.66                                           |
| Unpaid dividend [refer note (a) below]                                                      | –                                              | –                                              | <b>6.78</b>                                    | 5.82                                           |
| Amount retained for tax liability of Castrol Limited, U.K.                                  | –                                              | –                                              | –                                              | 0.99                                           |
| Deposit from distributors & others                                                          | –                                              | –                                              | <b>8.47</b>                                    | 7.50                                           |
| Statutory dues                                                                              | –                                              | –                                              | <b>65.66</b>                                   | 56.94                                          |
| Employee benefits obligation                                                                | –                                              | –                                              | <b>23.05</b>                                   | 21.72                                          |
|                                                                                             | –                                              | –                                              | <b>118.58</b>                                  | 102.94                                         |
|                                                                                             | –                                              | –                                              | –                                              | –                                              |
|                                                                                             | –                                              | 3.36                                           | <b>555.21</b>                                  | 495.67                                         |

**Note (a)**

There are no amounts due for payment to the Investor Education & Protection fund under Section 205C of the Companies Act, 1956 as at the year end.

## 8. Tangible and intangible assets

|                                  | Tangible assets |                               |                         |                   |                     |                  |                |                       | Intangible assets |                         |
|----------------------------------|-----------------|-------------------------------|-------------------------|-------------------|---------------------|------------------|----------------|-----------------------|-------------------|-------------------------|
|                                  | Freehold land   | Leasehold land [refer note a] | Building [refer note b] | Plant & machinery | Furniture & fixture | Office equipment | Motor vehicles | Total tangible assets | Computer software | Total intangible assets |
| <b>Cost</b>                      |                 |                               |                         |                   |                     |                  |                |                       |                   |                         |
| <b>As at January 1, 2011</b>     | 6.44            | 0.92                          | 68.53                   | 146.39            | 43.19               | 23.00            | 0.95           | 289.42                | 6.05              | 6.05                    |
| Additions                        | –               | –                             | 5.00                    | 10.27             | 6.30                | 0.29             | 0.01           | 21.87                 | 0.55              | 0.55                    |
| Disposals                        | –               | –                             | 0.07                    | 10.76             | 0.09                | 0.29             | 0.08           | 11.29                 | 0.01              | 0.01                    |
| <b>As at December 31, 2011</b>   | 6.44            | 0.92                          | 73.46                   | 145.90            | 49.40               | 23.00            | 0.88           | 300.00                | 6.59              | 6.59                    |
| Additions                        | –               | –                             | 4.81                    | 24.33             | 10.15               | 2.63             | –              | 41.92                 | 0.12              | 0.12                    |
| Disposals                        | –               | –                             | 0.08                    | 4.74              | 14.74               | 0.36             | –              | 19.92                 | –                 | –                       |
| <b>As at December 31, 2012</b>   | 6.44            | 0.92                          | 78.19                   | 165.49            | 44.81               | 25.27            | 0.88           | 322.00                | 6.71              | 6.71                    |
| <b>Depreciation/amortisation</b> |                 |                               |                         |                   |                     |                  |                |                       |                   |                         |
| <b>As at January 1, 2011</b>     | –               | 0.42                          | 28.25                   | 90.01             | 26.86               | 10.14            | 0.45           | 156.13                | 3.48              | 3.48                    |
| Charge for the year              | –               | 0.02                          | 3.12                    | 14.25             | 6.15                | 0.74             | 0.12           | 24.40                 | 0.71              | 0.71                    |
| Disposals                        | –               | –                             | 0.03                    | 8.74              | 0.08                | 0.26             | 0.07           | 9.18                  | 0.01              | 0.01                    |
| <b>As at December 31, 2011</b>   | –               | 0.44                          | 31.34                   | 95.52             | 32.93               | 10.62            | 0.50           | 171.35                | 4.18              | 4.18                    |
| Charge for the year              | –               | 0.02                          | 3.14                    | 12.89             | 8.98                | 0.81             | 0.04           | 25.88                 | 0.76              | 0.76                    |
| Disposals                        | –               | –                             | 0.04                    | 3.12              | 14.66               | 0.30             | –              | 18.12                 | –                 | –                       |
| <b>As at December 31, 2012</b>   | –               | 0.46                          | 34.44                   | 105.29            | 27.25               | 11.13            | 0.54           | 179.11                | 4.94              | 4.94                    |
| <b>Impairment loss</b>           |                 |                               |                         |                   |                     |                  |                |                       |                   |                         |
| <b>As at January 1, 2011</b>     | –               | –                             | –                       | 3.47              | 2.45                | 8.59             | 0.31           | 14.82                 | 0.72              | 0.72                    |
| Additions                        | –               | –                             | –                       | 3.00              | –                   | –                | –              | 3.00                  | –                 | –                       |
| Disposals                        | –               | –                             | –                       | –                 | –                   | –                | –              | –                     | –                 | –                       |
| <b>As at December 31, 2011</b>   | –               | –                             | –                       | 6.47              | 2.45                | 8.59             | 0.31           | 17.82                 | 0.72              | 0.72                    |
| Reclassification                 | –               | –                             | 0.86                    | (0.86)            | –                   | –                | –              | –                     | –                 | –                       |
| <b>As at December 31, 2012</b>   | –               | –                             | 0.86                    | 5.61              | 2.45                | 8.59             | 0.31           | 17.82                 | 0.72              | 0.72                    |
| <b>Net block</b>                 |                 |                               |                         |                   |                     |                  |                |                       |                   |                         |
| <b>As at December 31, 2011</b>   | 6.44            | 0.48                          | 41.26                   | 44.77             | 14.02               | 3.79             | 0.07           | 110.83                | 1.69              | 1.69                    |
| <b>As at December 31, 2012</b>   | 6.44            | 0.46                          | 42.89                   | 54.59             | 15.11               | 5.55             | 0.03           | 125.07                | 1.05              | 1.05                    |

**Notes:**

- Cost includes **Rs. 0.49 crore** (2011 : Rs. 0.49 crore) for which execution of land lease agreement in respect of plots in Mumbai is in progress.
- Comprises of cost of premises including shares of paid up value of **Rs. 0.01 crore** (2011 : Rs. 0.01 crore) in co-operative societies.
- Freehold land **Rs. 1.26 crores** (2011 : Rs. 1.26 crores), building **Rs. 1.41 crores** (2011 : Rs. 1.41 crores), plant & machinery **Rs. 0.37 crore** (2011 : Rs. 0.37 crore) are retired from active use. Accordingly, these assets are carried at lower of net book value and net realisable value. The total carrying value of such assets as at December 31, 2012 is **Rs. 3.04 crores** (2011 : Rs. 3.04 crores).

## Notes to the Financial Statements for the year ended December 31, 2012

## 9. Deferred tax assets (net)

|                                                                                                                                        | Non-current                                    |                                                |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                                                                                                        | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| <b>Deferred tax liability</b>                                                                                                          |                                                |                                                |
| Fixed assets: Impact of difference between tax depreciation and depreciation/<br>amortisation charge for the financial reporting       | 0.49                                           | 4.62                                           |
| Gross deferred tax liabilities                                                                                                         | 0.49                                           | 4.62                                           |
| <b>Deferred tax asset</b>                                                                                                              |                                                |                                                |
| Impact of expenditure charged to the Statement of Profit and Loss in the<br>current year but allowed for tax purposes on payment basis | 58.86                                          | 55.89                                          |
| Provision for doubtful debts                                                                                                           | 6.72                                           | 4.97                                           |
| Gross deferred tax assets                                                                                                              | 65.58                                          | 60.86                                          |
| <b>Net deferred tax asset/(liability)</b>                                                                                              | <b>65.09</b>                                   | <b>56.24</b>                                   |

## 10. Loans and advances

(Unsecured, considered good, unless otherwise stated)

|                                                  | Non-current                                    |                                                | Current                                        |                                                |
|--------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                  | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| Capital advances                                 | 3.25                                           | 1.74                                           | -                                              | -                                              |
| Security deposits                                | 10.56                                          | 3.15                                           | 0.71                                           | 4.69                                           |
| (A)                                              | 13.81                                          | 4.89                                           | 0.71                                           | 4.69                                           |
| Advances recoverable in cash or kind             | 28.46                                          | 27.90                                          | 30.61                                          | 29.68                                          |
| Less: Provision for doubtful advances            | 6.92                                           | 6.66                                           | 3.60                                           | 3.62                                           |
| (B)                                              | 21.54                                          | 21.24                                          | 27.01                                          | 26.06                                          |
| <b>Other loans and advances</b>                  |                                                |                                                |                                                |                                                |
| Advance income-tax (net of provisions)           | 18.22                                          | 14.80                                          | -                                              | -                                              |
| Prepaid expenses                                 | 1.08                                           | 1.00                                           | 2.38                                           | 2.01                                           |
| Loans to employees [refer note (a) below]        | 1.57                                           | 1.73                                           | 0.61                                           | 0.61                                           |
| Balance with statutory/government<br>authorities | 28.63                                          | 24.66                                          | 17.31                                          | 15.69                                          |
| (C)                                              | 49.50                                          | 42.19                                          | 20.30                                          | 18.31                                          |
| <b>Total (A+B+C)</b>                             | <b>84.85</b>                                   | <b>68.32</b>                                   | <b>48.02</b>                                   | <b>49.06</b>                                   |

Note (a) :

Loans to employees include loans and advances due by directors or other officers etc.

|                              | Non-current                                    |                                                | Current                                        |                                                |
|------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                              | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| Dues from executive director | 0.13                                           | 0.14                                           | 0.01                                           | 0.01                                           |

## Notes to the Financial Statements for the year ended December 31, 2012

### 11. Inventories (lower of cost and net realisable value)

|                                                                                                | Current                                        |                                                |
|------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                                                                | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| Raw materials [includes stock in transit <b>Rs. 22.12 crores</b><br>(2011 : Rs. 13.06 crores)] | 139.11                                         | 139.66                                         |
| Packing materials                                                                              | 5.18                                           | 5.28                                           |
| Stores and consumables                                                                         | 1.47                                           | 1.76                                           |
| Finished goods                                                                                 | 119.60                                         | 116.74                                         |
| Traded goods [including stock in transit <b>Rs. 9.10 crores</b><br>(2011 : Rs. 10.14 crores)]  | 50.40                                          | 37.48                                          |
|                                                                                                | <u>315.76</u>                                  | <u>300.92</u>                                  |

### 12. Trade receivables

|                                                                                             | Current                                        |                                                |
|---------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                                                             | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| <b>Unsecured, considered good unless stated otherwise</b>                                   |                                                |                                                |
| <b>Outstanding for a period exceeding six months from the date they are due for payment</b> |                                                |                                                |
| Unsecured, considered good                                                                  | 0.15                                           | 0.06                                           |
| Doubtful                                                                                    | 7.28                                           | 3.07                                           |
|                                                                                             | <u>7.43</u>                                    | <u>3.13</u>                                    |
| Less: Provision for doubtful receivables                                                    | 7.28                                           | 3.07                                           |
|                                                                                             | (A) <u>0.15</u>                                | <u>0.06</u>                                    |
| <b>Other receivables</b>                                                                    |                                                |                                                |
| Secured, considered good                                                                    | 5.57                                           | 4.81                                           |
| Unsecured, considered good                                                                  | 213.91                                         | 214.08                                         |
| Doubtful                                                                                    | 2.92                                           | 1.96                                           |
|                                                                                             | <u>222.40</u>                                  | <u>220.85</u>                                  |
| Less: Provision for doubtful receivables                                                    | 2.92                                           | 1.96                                           |
|                                                                                             | (B) <u>219.48</u>                              | <u>218.89</u>                                  |
| <b>Total (A+B)</b>                                                                          | <u>219.63</u>                                  | <u>218.95</u>                                  |

## Notes to the Financial Statements for the year ended December 31, 2012

## 13. Cash and bank balances

|                                                                              | Non-current                                    |                                                | Current                                        |                                                |
|------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                                              | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| <b>Cash and cash equivalents</b>                                             |                                                |                                                |                                                |                                                |
| Cash on hand                                                                 | –                                              | –                                              | 0.02                                           | 0.01                                           |
| <b>Balance with banks</b>                                                    |                                                |                                                |                                                |                                                |
| On current accounts                                                          | –                                              | –                                              | 9.63                                           | 43.16                                          |
| Deposits with original maturity of less than 3 months                        | –                                              | –                                              | 74.56                                          | 48.00                                          |
| Deposits with original maturity of more than 3 months [refer note (a) below] | –                                              | –                                              | 483.60                                         | 442.84                                         |
| Unclaimed dividend account [refer note (b) below]                            | –                                              | –                                              | 6.78                                           | 5.82                                           |
| (A)                                                                          | –                                              | –                                              | 574.59                                         | 539.83                                         |
| <b>Other bank balances</b>                                                   |                                                |                                                |                                                |                                                |
| Margin money deposit                                                         | 0.26                                           | –                                              | –                                              | 9.17                                           |
| Amount disclosed under "Other assets" (note 14)                              | (0.26)                                         | –                                              | –                                              | –                                              |
| (B)                                                                          | –                                              | –                                              | –                                              | 9.17                                           |
| <b>Total (A+B)</b>                                                           | –                                              | –                                              | 574.59                                         | 549.00                                         |

**Notes:**

- (a) Deposits with original maturity of more than 3 months can be withdrawn by the Company at any point at a very short notice and without penalty on the principal amount.
- (b) These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

## 14. Other assets

Unsecured, considered good unless stated otherwise

|                                | Non-current                                    |                                                | Current                                        |                                                |
|--------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
| Interest accrued on deposits   | –                                              | –                                              | 14.29                                          | 8.51                                           |
| Margin money deposit (note 13) | 0.26                                           | –                                              | –                                              | –                                              |
|                                | 0.26                                           | –                                              | 14.29                                          | 8.51                                           |

## Notes to the Financial Statements for the year ended December 31, 2012

### 15. Revenue from operations

|                                                                                                            | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>Revenue from operations</b>                                                                             |                                                             |                                                             |
| Sale of products [net of rebates <b>Rs. 133.32 crores</b> (2011 : Rs. 100.33 crores) refer note (a) below] |                                                             |                                                             |
| Finished goods                                                                                             | <b>3,385.04</b>                                             | 3,253.15                                                    |
| Traded goods                                                                                               | <b>207.92</b>                                               | 172.04                                                      |
| <b>Other operating revenue</b>                                                                             |                                                             |                                                             |
| Commission, royalty and service income                                                                     | <b>9.49</b>                                                 | 11.49                                                       |
| Scrap sale                                                                                                 | <b>2.93</b>                                                 | 2.55                                                        |
| <b>Revenue from operations (gross)</b>                                                                     | <b>3,605.38</b>                                             | 3,439.23                                                    |
| Less: Excise duty [refer note (b) below]                                                                   | <b>484.52</b>                                               | 445.96                                                      |
| <b>Revenue from operations (net)</b>                                                                       | <b>3,120.86</b>                                             | 2,993.27                                                    |

#### Notes:

#### (a) Detail of products sold

##### Finished goods sold

|                              |                 |          |
|------------------------------|-----------------|----------|
| Lubricating oils and greases | <b>3,385.04</b> | 3,253.15 |
|                              | <b>3,385.04</b> | 3,253.15 |

##### Traded goods sold

|                              |                 |          |
|------------------------------|-----------------|----------|
| Lubricating oils and greases | <b>207.92</b>   | 172.04   |
|                              | <b>207.92</b>   | 172.04   |
|                              | <b>3,592.96</b> | 3,425.19 |

- (b) Excise duty on sales amounting to **Rs. 484.52 crores** (2011 : Rs. 445.96 crores) has been reduced from sales in Statement of Profit and Loss and excise duty on increase/(decrease) in stock amounting to **Rs. 3.78 crores** (2011 : Rs. 0.31 crore) has been considered as (income)/expense in note 17.3 of the financial statements.

### 16. Other income

|                                              | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|----------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Interest income                              |                                                             |                                                             |
| On bank deposits                             | <b>40.37</b>                                                | 45.69                                                       |
| On income tax refund                         | -                                                           | 5.21                                                        |
| Others                                       | <b>0.97</b>                                                 | 0.53                                                        |
| Miscellaneous income                         | <b>10.32</b>                                                | 6.40                                                        |
| Excess provision written back                | <b>20.52</b>                                                | 14.31                                                       |
| Debts written off in earlier years, realised | -                                                           | 0.95                                                        |
|                                              | <b>72.18</b>                                                | 73.09                                                       |



## Notes to the Financial Statements for the year ended December 31, 2012

## 17.1 Cost of materials consumed

|                                                                            | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|----------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>Raw materials and packing materials consumed</b> [refer note (a) below] |                                                             |                                                             |
| Inventory at the beginning of the year                                     | 144.94                                                      | 115.82                                                      |
| Add: Purchases during the year #                                           | 1,688.79                                                    | 1,624.60                                                    |
|                                                                            | <u>1,833.73</u>                                             | <u>1,740.42</u>                                             |
| Less: Inventory at the end of the year [refer note (b) below]              | 144.29                                                      | 144.94                                                      |
| <b>Total raw materials and packing materials consumed</b>                  | <u>1,689.44</u>                                             | <u>1,595.48</u>                                             |

# Purchases include foreign exchange difference on imports – loss **Rs. 4.18 crores** (2011 : loss Rs. 13.98 crores)

## Notes:

|                                                                                  |                 |                 |
|----------------------------------------------------------------------------------|-----------------|-----------------|
| <b>(a) Details of raw materials and packing materials consumed</b>               |                 |                 |
| Base oil                                                                         | 1,068.77        | 1,043.26        |
| Additives and chemicals                                                          | 445.78          | 395.89          |
| Packages (individual items each being less than 10% of the total)                | 174.89          | 156.33          |
| <b>Total raw materials and packing materials consumed</b>                        | <u>1,689.44</u> | <u>1,595.48</u> |
| <b>(b) Details of raw materials and packing materials at the end of the year</b> |                 |                 |
| Base oil                                                                         | 83.09           | 86.04           |
| Additives and chemicals                                                          | 56.02           | 53.62           |
| Packages (individual items each being less than 10% of the total)                | 5.18            | 5.28            |
| <b>Total raw materials and packing materials at the end of the year</b>          | <u>144.29</u>   | <u>144.94</u>   |

## 17.2 Purchase of traded goods

|                              |               |               |
|------------------------------|---------------|---------------|
| Lubricating oils and greases | 146.83        | 125.82        |
|                              | <u>146.83</u> | <u>125.82</u> |

## 17.3 (Increase)/decrease in inventories of finished goods

|                                                                                   |                |                |
|-----------------------------------------------------------------------------------|----------------|----------------|
| <b>Inventories at the end of the year</b>                                         |                |                |
| Traded goods [refer note (a) below]                                               | 50.40          | 37.48          |
| Finished goods [refer note (a) below]                                             | 119.60         | 116.74         |
|                                                                                   | <u>170.00</u>  | <u>154.22</u>  |
| <b>Inventories at the beginning of the year</b>                                   |                |                |
| Traded goods                                                                      | 37.48          | 23.20          |
| Finished goods                                                                    | 116.74         | 103.90         |
|                                                                                   | <u>154.22</u>  | <u>127.10</u>  |
| Less: Excise duty on account of increase/(decrease) in stock of finished products | 3.78           | 0.31           |
|                                                                                   | <u>(12.00)</u> | <u>(26.81)</u> |

## Note:

|                                                                         | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>(a) Details of traded and finished goods at the end of the year:</b> |                                                |                                                |
| <b>Traded goods</b>                                                     |                                                |                                                |
| Lubricating oils and greases                                            | 50.40                                          | 37.48                                          |
|                                                                         | <u>50.40</u>                                   | <u>37.48</u>                                   |
| <b>Finished goods</b>                                                   |                                                |                                                |
| Lubricating oils and greases                                            | 119.60                                         | 116.74                                         |
|                                                                         | <u>119.60</u>                                  | <u>116.74</u>                                  |

## Notes to the Financial Statements for the year ended December 31, 2012

### 18. Employee benefits expense

|                                            | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|--------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Salaries, wages and bonus [refer note 28]  | 106.96                                                      | 86.37                                                       |
| Contribution to provident and other funds  | 6.65                                                        | 9.24                                                        |
| Gratuity expense [refer note (a) below]    | 3.50                                                        | (2.13)                                                      |
| Staff welfare expenses                     | 11.29                                                       | 14.31                                                       |
| Voluntary retirement scheme expenses (net) | -                                                           | 8.11                                                        |
|                                            | <u>128.40</u>                                               | <u>115.90</u>                                               |

**Note (a)** Net of credit of **Rs. nil** (2011 : Rs. 5.32 crores) on account of excess provision written back.

### 19. Other expenses\*

|                                                                                                                             | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Rent                                                                                                                        | 12.11                                                       | 12.40                                                       |
| Rates and taxes                                                                                                             | 20.87                                                       | 10.41                                                       |
| Power and fuel                                                                                                              | 4.20                                                        | 3.83                                                        |
| Stores and consumables                                                                                                      | 1.48                                                        | 1.26                                                        |
| Freight and forwarding charges                                                                                              | 90.90                                                       | 79.82                                                       |
| Insurance                                                                                                                   | 2.26                                                        | 2.19                                                        |
| Repairs and maintenance                                                                                                     |                                                             |                                                             |
| Land and buildings                                                                                                          | 3.38                                                        | 3.24                                                        |
| Plant and equipment                                                                                                         | 3.48                                                        | 3.18                                                        |
| Others                                                                                                                      | 11.44                                                       | 12.46                                                       |
| Provision for doubtful debts                                                                                                | 5.16                                                        | 1.67                                                        |
| Provision for doubtful advance                                                                                              | 0.48                                                        | 1.50                                                        |
| Processing and filling charges                                                                                              | 7.26                                                        | 8.42                                                        |
| Advertising and sales promotion                                                                                             | 112.70                                                      | 127.11                                                      |
| Stock point operating charges                                                                                               | 18.82                                                       | 17.63                                                       |
| Loss on disposal/write off of fixed assets (net) [includes impairment provision of <b>Rs. nil</b> (2011 : Rs. 3.00 crores)] | 1.79                                                        | 4.83                                                        |
| Director sitting fees                                                                                                       | 0.03                                                        | 0.03                                                        |
| Commission to resident non-whole time Indian directors                                                                      | 0.26                                                        | 0.26                                                        |
| Royalty                                                                                                                     | 66.22                                                       | 73.31                                                       |
| Sales promotion fees                                                                                                        | 110.95                                                      | 88.24                                                       |
| Travelling expenses                                                                                                         | 13.96                                                       | 15.92                                                       |
| Legal and professional fees                                                                                                 | 36.85                                                       | 29.26                                                       |
| Payment to auditors [refer note (i) below]                                                                                  | 0.78                                                        | 0.74                                                        |
| Miscellaneous expenses                                                                                                      | 20.20                                                       | 15.52                                                       |
|                                                                                                                             | <u>545.58</u>                                               | <u>513.23</u>                                               |

\*Other expenses include foreign exchange differences (net) amounting to loss **Rs. 0.21 crore** (2011 : loss Rs. 1.97 crores)

Note (i) **Payment to auditors (excluding service tax)**

#### As auditor:

|                                 |      |      |
|---------------------------------|------|------|
| Audit fee                       | 0.42 | 0.42 |
| Tax accounts and tax audit fees | 0.18 | 0.16 |
| Limited review                  | 0.14 | 0.12 |

#### In other capacity:

|                           |             |             |
|---------------------------|-------------|-------------|
| Certification fees        | 0.02        | 0.02        |
| Reimbursement of expenses | 0.02        | 0.02        |
|                           | <u>0.78</u> | <u>0.74</u> |

## Notes to the Financial Statements for the year ended December 31, 2012

### 20. Depreciation and amortisation expense

|                                   | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|-----------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Depreciation on tangible assets   | 25.88                                                       | 24.40                                                       |
| Amortisation on intangible assets | 0.76                                                        | 0.71                                                        |
|                                   | <u>26.64</u>                                                | <u>25.11</u>                                                |

### 21. Finance costs

|                        | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Interest on income tax | 0.35                                                        | 0.85                                                        |
| Interest others        | 1.48                                                        | 0.83                                                        |
|                        | <u>1.83</u>                                                 | <u>1.68</u>                                                 |

### 22. Earnings per share (EPS)

|                                                                                                  | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| The following reflects the profit and share data used in the basic and diluted EPS computations: |                                                             |                                                             |
| <b>Total operations for the year</b>                                                             |                                                             |                                                             |
| Profit after tax                                                                                 | 447.39                                                      | 481.03                                                      |
| <b>Net profit for calculation of basic and diluted EPS</b>                                       | <u>447.39</u>                                               | <u>481.03</u>                                               |
|                                                                                                  | <b>No. of Shares</b>                                        | <b>No. of Shares</b>                                        |
| Weighted average number of equity shares in calculating basic and diluted EPS                    | 494,561,192                                                 | 247,280,596*                                                |
| Basic and diluted earnings per share (Rs.)*                                                      | 9.05                                                        | 9.73                                                        |
| Nominal value per share (Rs.)                                                                    | 10.00                                                       | 10.00                                                       |

\* The basic and diluted EPS has been calculated for current and previous period presented after taking into account the bonus issue.

### 23. Employee benefits

#### Defined contribution plan

##### Amounts recognised as an expense

Contribution to Provident and Other Funds in note 18 includes **Rs. 3.90 crores** (2011 : Rs. 4.17 crores) for Pension Fund, ESIC and Labour Welfare Fund. Note 19 includes 'Insurance' **Rs. 1.31 crores** (2011 : Rs. 1.45 crores) for Medical Insurance Benefits and Post Retiral Medical Benefit Scheme. Salaries, wages and bonus in note 18 includes **Rs. 1.32 crores** (2011 : Rs. 1.04 crores) for Sharematch.

#### General description of defined benefit plan

##### Gratuity

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days/one month salary last drawn for each completed year of service depending on the date of joining. The same is payable on termination of service, retirement or death, whichever is earlier. The benefit vests after five years of continuous service.

##### Provident fund

The Company manages provident fund plan through a provident fund trust for its employees which is permitted under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the provident fund authority. The contribution by employer and employees, together with interest, are payable at the time of separation from service or retirement, whichever is earlier. The benefit under this plan vests immediately on rendering of service.

##### Survivor protection scheme

The Company provides an exgratia payment to the employee's family/survivors over and above any survivor benefits payable to the employee under the retirement schemes, in the unfortunate event of an employee's death whilst in service.

## Notes to the Financial Statements for the year ended December 31, 2012

### 23. Employee benefits (contd.)

#### Pension benefit to past employees

Under the Company's pension scheme, certain categories of employees, on retirement, are eligible for monthly differential pension which is accounted for on an actuarial basis as on the Balance Sheet date.

#### Amounts recognised as an expense

##### Defined benefit plan

Gratuity in note 18 includes gratuity cost of **Rs. 3.50 crores** (2011 : Rs. 3.19 crores) [net of recoveries of **Rs. nil** (2011 : Rs. 0.03 crore) towards employees on secondment from group companies]. Contribution to provident and other funds in note 18 includes **Rs. 2.26 crores** (2011 : Rs. 2.43 crores) for provident fund. Salaries, wages and bonus in note 18 includes survivor protection (death benefit), pension benefit to past employees, **Rs. 0.13 crores** (2011 : Rs. 0.05 crores).

| Particulars                                                                                                    | As at December 31, 2012 |                |                     |                 | As at December 31, 2011 |                |                     |                 |
|----------------------------------------------------------------------------------------------------------------|-------------------------|----------------|---------------------|-----------------|-------------------------|----------------|---------------------|-----------------|
|                                                                                                                | Gratuity                | Provident fund | Survivor protection | Pension benefit | Gratuity                | Provident fund | Survivor protection | Pension benefit |
|                                                                                                                | (Funded)                | (Funded)       | (Non-funded)        | (Non-funded)    | (Funded)                | (Funded)       | (Non-funded)        | (Non-funded)    |
| <b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation :</b> |                         |                |                     |                 |                         |                |                     |                 |
| <b>Obligation at period beginning</b>                                                                          | <b>23.82</b>            | <b>89.09</b>   | <b>0.17</b>         | <b>1.76</b>     | 22.97                   | 83.88          | 0.17                | 1.88            |
| Current service cost                                                                                           | 1.56                    | 4.23           | –                   | –               | 1.60                    | 3.59           | –                   | –               |
| Interest cost                                                                                                  | 2.05                    | 6.54           | –                   | –               | 1.82                    | 7.26           | –                   | –               |
| Actuarial (gain)/loss due to change in assumptions                                                             | 0.26                    | –              | 0.05                | 0.08            | (0.45)                  | –              | –                   | 0.06            |
| Experience (gain)/loss on plan liability                                                                       | 2.38                    | 0.83           | –                   | –               | 1.86                    | (1.49)         | –                   | –               |
| Contributions by plan participants                                                                             | –                       | 6.03           | –                   | –               | –                       | 5.23           | –                   | –               |
| Benefits paid                                                                                                  | (2.59)                  | (13.58)        | (0.03)              | (0.17)          | (3.98)                  | (9.38)         | –                   | (0.17)          |
| Past service cost                                                                                              | –                       | –              | –                   | –               | –                       | –              | –                   | –               |
| <b>Obligation at period end</b>                                                                                | <b>27.48</b>            | <b>93.15</b>   | <b>0.19</b>         | <b>1.67</b>     | 23.82                   | 89.09          | 0.17                | 1.77            |
| <b>Change in plan assets</b>                                                                                   |                         |                |                     |                 |                         |                |                     |                 |
| <b>Plan Assets at period beginning, at fair value</b>                                                          | <b>23.81</b>            | <b>87.51</b>   | –                   | –               | 23.92                   | 81.14          | –                   | –               |
| Expected return on plan assets                                                                                 | 1.81                    | 7.36           | –                   | –               | 1.81                    | 6.78           | –                   | –               |
| Actuarial gain/(loss) due to change in assumptions                                                             | –                       | –              | –                   | –               | –                       | 0.15           | –                   | –               |
| Experience (gain)/loss on plan assets                                                                          | 0.94                    | 1.99           | –                   | –               | (0.20)                  | –              | –                   | –               |
| Contributions by employer                                                                                      | 2.46                    | 4.23           | –                   | –               | 2.26                    | 3.59           | –                   | –               |
| Contributions by plan participants                                                                             | –                       | 6.03           | –                   | –               | –                       | 5.23           | –                   | –               |
| Benefits paid                                                                                                  | (2.59)                  | (13.58)        | –                   | –               | (3.98)                  | (9.38)         | –                   | –               |
| <b>Plan Assets at period end, at fair value</b>                                                                | <b>26.43</b>            | <b>93.54</b>   | –                   | –               | 23.81                   | 87.51          | –                   | –               |
| <b>Reconciliation of present value of the obligation and the fair value of plan assets</b>                     |                         |                |                     |                 |                         |                |                     |                 |
| Fair value of plan assets at the end of the period                                                             | 26.43                   | 93.54          | –                   | –               | 23.81                   | 87.51          | –                   | –               |
| Present value of the defined benefit obligation at the end of the period                                       | (27.48)                 | (93.15)        | (0.19)              | (1.67)          | (23.82)                 | (89.09)        | (0.17)              | (1.77)          |
| <b>Asset/(liability) recognised in the Balance Sheet</b>                                                       | <b>(1.05)</b>           | <b>0.39</b>    | <b>(0.19)</b>       | <b>(1.67)</b>   | (0.01)                  | (1.58)         | (0.17)              | (1.77)          |
| <b>Expense for the year [refer note A (i) below]</b>                                                           |                         |                |                     |                 |                         |                |                     |                 |
| Current service cost                                                                                           | 1.56                    | 4.23           | –                   | –               | 1.60                    | 3.59           | –                   | –               |
| Interest cost on benefit obligation                                                                            | 2.05                    | 6.54           | –                   | –               | 1.82                    | 7.26           | –                   | –               |
| Expected return on plan assets                                                                                 | (1.81)                  | (7.36)         | –                   | –               | (1.81)                  | (6.78)         | –                   | –               |
| Net actuarial (gain)/loss recognised in the year                                                               | 1.70                    | (1.15)         | 0.05                | 0.08            | 1.61                    | (1.64)         | –                   | 0.06            |
| Past service cost                                                                                              | –                       | –              | –                   | –               | –                       | –              | –                   | –               |
| <b>Net cost</b>                                                                                                | <b>3.50</b>             | <b>2.26</b>    | <b>0.05</b>         | <b>0.08</b>     | 3.22                    | 2.43           | –                   | 0.06            |
| Actual return on plan assets                                                                                   | 2.75                    | 9.35           | –                   | –               | 1.81                    | 6.78           | –                   | –               |
| Estimated contribution to be made in next annual year                                                          | 2.50                    | 4.66           | –                   | –               | 2.50                    | 3.50           | –                   | –               |

#### Basis used to determine expected rate of return on assets:

The major portion of the assets are invested in debt instruments. Expected rate of return on investments for all defined benefit plans is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio since these are generally held to maturity, along with the estimated incremental investments to be made during the year. Expected rate of return on plan assets is **8.00%** (2011 : 8.00%).

## Notes to the Financial Statements for the year ended December 31, 2012

## 23. Employee benefits (contd.)

| Assumptions       | As at December 31, 2012                                                                                          |                       |                       |                       | As at December 31, 2011                                                                               |                       |                       |                       |
|-------------------|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
|                   | Gratuity                                                                                                         | Provident fund        | Survivor protection   | Pension benefit       | Gratuity                                                                                              | Provident fund        | Survivor protection   | Pension benefit       |
| Discount rate     | 8.35%                                                                                                            | 8.35%                 | 8.35%                 | 8.35%                 | 8.5%                                                                                                  | 8.5%                  | 8.5%                  | 8.5%                  |
| Employee turnover | <b>Executives:</b><br>upto 35 years – 15% p.a.<br>thereafter – 10% p.a.<br><b>Expats &amp; Workers – 1% p.a.</b> |                       |                       |                       | <b>Executives:</b><br>upto 35 years – 15% p.a.<br>thereafter – 10% p.a.<br>Expats & Workers – 1% p.a. |                       |                       |                       |
| Mortality         | LIC Ultimate<br>94-96                                                                                            | LIC Ultimate<br>94-96 | LIC Ultimate<br>94-96 | LIC Ultimate<br>94-96 | LIC Ultimate<br>94-96                                                                                 | LIC Ultimate<br>94-96 | LIC Ultimate<br>94-96 | LIC Ultimate<br>94-96 |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

| Particulars                           | As at December 31, 2012 |                | As at December 31, 2011 |                |
|---------------------------------------|-------------------------|----------------|-------------------------|----------------|
|                                       | Gratuity                | Provident fund | Gratuity                | Provident fund |
| <b>The composition of plan assets</b> |                         |                |                         |                |
| Debt instruments                      | 95%                     | 79%            | 90%                     | 75%            |
| Others                                | 5%                      | 21%            | 10%                     | 25%            |
|                                       | <u>100%</u>             | <u>100%</u>    | <u>100%</u>             | <u>100%</u>    |

Amount for the current and previous periods are as follows :

| Particulars                                                              | Rupees in Crores        |                               |                                            |                                        |                         |                               |                                            |                                        |
|--------------------------------------------------------------------------|-------------------------|-------------------------------|--------------------------------------------|----------------------------------------|-------------------------|-------------------------------|--------------------------------------------|----------------------------------------|
|                                                                          | As at December 31, 2012 |                               |                                            |                                        | As at December 31, 2011 |                               |                                            |                                        |
|                                                                          | Gratuity<br>(Funded)    | Provident<br>fund<br>(Funded) | Survivor<br>protection<br>(Non-<br>funded) | Pension<br>benefit<br>(Non-<br>funded) | Gratuity<br>(Funded)    | Provident<br>fund<br>(Funded) | Survivor<br>protection<br>(Non-<br>funded) | Pension<br>benefit<br>(Non-<br>funded) |
| Experience (gain)/loss on plan liability                                 | 2.38                    | 0.83                          | 0.05                                       | 0.08                                   | 1.86                    | (1.49)                        | -                                          | -                                      |
| Fair value of plan assets at the end of the period                       | 26.43                   | 93.54                         | -                                          | -                                      | 23.81                   | 87.51                         | -                                          | -                                      |
| Present value of the defined benefit obligation at the end of the period | (27.48)                 | (93.15)                       | (0.19)                                     | (1.67)                                 | (23.82)                 | (89.09)                       | (0.17)                                     | (1.77)                                 |
| Asset/(liability) recognised in the Balance Sheet                        | (1.05)                  | 0.39                          | (0.19)                                     | (1.67)                                 | (0.01)                  | (1.58)                        | (0.17)                                     | (1.77)                                 |

| Particulars                                                              | Rupees in Crores        |                               |                                            |                                        |                         |                               |                                            |                                        |                         |                               |                                            |                                        |
|--------------------------------------------------------------------------|-------------------------|-------------------------------|--------------------------------------------|----------------------------------------|-------------------------|-------------------------------|--------------------------------------------|----------------------------------------|-------------------------|-------------------------------|--------------------------------------------|----------------------------------------|
|                                                                          | As at December 31, 2010 |                               |                                            |                                        | As at December 31, 2009 |                               |                                            |                                        | As at December 31, 2008 |                               |                                            |                                        |
|                                                                          | Gratuity<br>(Funded)    | Provident<br>fund<br>(Funded) | Survivor<br>protection<br>(Non-<br>funded) | Pension<br>benefit<br>(Non-<br>funded) | Gratuity<br>(Funded)    | Provident<br>fund<br>(Funded) | Survivor<br>protection<br>(Non-<br>funded) | Pension<br>benefit<br>(Non-<br>funded) | Gratuity<br>(Funded)    | Provident<br>fund<br>(Funded) | Survivor<br>protection<br>(Non-<br>funded) | Pension<br>benefit<br>(Non-<br>funded) |
| Experience (gain)/loss on plan liability                                 | 1.39                    | 0.05                          | -                                          | -                                      | 2.82                    | (0.29)                        | -                                          | -                                      | 1.02                    | 0.58                          | -                                          | -                                      |
| Fair value of plan assets at the end of the period                       | 23.92                   | 81.14                         | -                                          | -                                      | 24.98                   | 84.86                         | -                                          | -                                      | 30.60                   | 85.00                         | -                                          | -                                      |
| Present value of the defined benefit obligation at the end of the period | (22.97)                 | (83.88)                       | (0.17)                                     | (1.88)                                 | (21.28)                 | (86.83)                       | (0.18)                                     | (1.99)                                 | (28.20)                 | (87.22)                       | (0.21)                                     | (2.61)                                 |
| Asset/(liability) recognised in the Balance Sheet                        | 0.95                    | (2.74)                        | (0.17)                                     | (1.88)                                 | 3.70                    | (1.97)                        | (0.18)                                     | (1.99)                                 | 2.40                    | (2.22)                        | (0.21)                                     | (2.61)                                 |

## Notes to the Financial Statements for the year ended December 31, 2012

### 24. Leases

#### Operating Lease: Company as lessee

The Company has entered into agreements for leasing office/residential premises on leave and license basis. The specified disclosure in respect of these agreements is given below :

|                                                                                       | For the year ended<br>December 31, 2012<br>Rupees in Crores | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Charged to Statement of Profit and Loss                                               | 11.47                                                       | 12.03                                                       |
| Future minimum rentals payable under non-cancellable operating leases are as follows: |                                                             |                                                             |
| Within one year                                                                       | 14.50                                                       | 0.39                                                        |
| After one year but not more than five years                                           | 27.19                                                       | –                                                           |
| More than five years                                                                  | –                                                           | –                                                           |
|                                                                                       | <u>41.69</u>                                                | <u>0.39</u>                                                 |

Office premises, residential flats, motor cars and equipments are obtained on operating lease. The lease terms range from one year to four years and are renewable at the option of the Company.

### 25. Segment information

The business segment has been considered as the primary segment. The Company is organised into two business segments, Automotive & Non-Automotive.

The above business segments have been identified considering :

- The customers
- The differing risks and returns
- The organisation structure
- The internal financial reporting system

Segment revenue, results, assets and liabilities have been accounted for on the basis of their relationship to the operating activities of the segment and amounts allocated on a reasonable basis.

#### Business segment :

|                                                          | Rupees in Crores |                |             |               |
|----------------------------------------------------------|------------------|----------------|-------------|---------------|
|                                                          | Automotive       | Non-Automotive | Unallocable | Total         |
| <b>For the year ended December 31, 2012</b>              |                  |                |             |               |
| <b>Revenue</b>                                           |                  |                |             |               |
| Revenue from operations (net)                            | 2,717.23         | 403.63         | –           | 3,120.86      |
| <b>Results</b>                                           |                  |                |             |               |
| Segment results                                          | 555.53           | 68.59          | –           | 624.12        |
| Unallocable income net of unallocable (expenditure)      | –                | –              | 44.03       | 44.03         |
| Finance costs                                            | –                | –              | 1.83        | 1.83          |
| <b>Profit before tax</b>                                 |                  |                |             | <b>666.32</b> |
| Less: Provision for current tax                          |                  |                |             | 227.78        |
| Less: Provision for deferred tax                         |                  |                |             | (8.85)        |
| <b>Profit after tax</b>                                  |                  |                |             | <b>447.39</b> |
| <b>Other information</b>                                 |                  |                |             |               |
| <b>As at December 31, 2012</b>                           |                  |                |             |               |
| Segment assets                                           | 657.11           | 150.82         | 671.64      | 1,479.57      |
| Segment liabilities                                      | 533.99           | 63.01          | 233.34      | 830.34        |
| Capital expenditure (including capital work-in-progress) | 40.90            | 2.80           | –           | 43.70         |
| Depreciation/amortisation for the year                   | 25.34            | 1.30           | –           | 26.64         |

## Notes to the Financial Statements for the year ended December 31, 2012

## 25. Segment information (contd.)

|                                                                  | Rupees in Crores  |                       |                    |                 |
|------------------------------------------------------------------|-------------------|-----------------------|--------------------|-----------------|
|                                                                  | <u>Total</u>      |                       |                    |                 |
| <b>Geographical segment:</b>                                     |                   |                       |                    |                 |
| <b>For the year ended December 31, 2012</b>                      |                   |                       |                    |                 |
| <b>Revenue</b>                                                   |                   |                       |                    |                 |
| India                                                            |                   |                       |                    | 3,114.83        |
| Outside India                                                    |                   |                       |                    | 6.03            |
|                                                                  |                   |                       |                    | <u>3,120.86</u> |
| <b>As at December 31, 2012</b>                                   |                   |                       |                    |                 |
| <b>Assets</b>                                                    |                   |                       |                    |                 |
| India                                                            |                   |                       |                    | 1,476.92        |
| Outside India                                                    |                   |                       |                    | 2.65            |
|                                                                  |                   |                       |                    | <u>1,479.57</u> |
| <b>Capital expenditure (including capital work-in-progress)</b>  |                   |                       |                    |                 |
| India                                                            |                   |                       |                    | 43.70           |
| Outside India                                                    |                   |                       |                    | -               |
|                                                                  |                   |                       |                    | <u>43.70</u>    |
| <b>Business segment:</b>                                         |                   |                       |                    |                 |
|                                                                  | <u>Automotive</u> | <u>Non-Automotive</u> | <u>Unallocable</u> | <u>Total</u>    |
| <b>For the year ended December 31, 2011</b>                      |                   |                       |                    |                 |
| <b>Revenue</b>                                                   |                   |                       |                    |                 |
| Revenue from operations (net)                                    | 2,555.01          | 438.26                | -                  | 2,993.27        |
| <b>Results</b>                                                   |                   |                       |                    |                 |
| Segment results                                                  | 561.43            | 104.77                | -                  | 666.20          |
| Unallocable income net of unallocable (expenditure)              | -                 | -                     | 51.43              | 51.43           |
| Finance costs                                                    | -                 | -                     | 1.68               | 1.68            |
| <b>Profit before tax</b>                                         |                   |                       |                    | 715.95          |
| Less: Provision for current tax                                  |                   |                       |                    | 255.44          |
| Less: Provision for deferred tax                                 |                   |                       |                    | (19.13)         |
| Excess income tax provision for earlier years written back (net) |                   |                       |                    | (1.39)          |
| <b>Profit after tax</b>                                          |                   |                       |                    | 481.03          |
| <b>Other information</b>                                         |                   |                       |                    |                 |
| <b>As at December 31, 2011</b>                                   |                   |                       |                    |                 |
| Segment assets                                                   | 607.84            | 157.31                | 627.67             | 1,392.82        |
| Segment liabilities                                              | 480.12            | 55.35                 | 253.15             | 788.62          |
| Capital expenditure (including capital work-in-progress)         | 35.20             | 2.92                  | -                  | 38.12           |
| Depreciation/amortisation for the year                           | 23.88             | 1.23                  | -                  | 25.11           |
| <b>Geographical segment:</b>                                     |                   |                       |                    |                 |
| <b>For the year ended December 31, 2011</b>                      |                   |                       |                    |                 |
| <b>Revenue</b>                                                   |                   |                       |                    |                 |
| India                                                            |                   |                       |                    | 2,988.36        |
| Outside India                                                    |                   |                       |                    | 4.91            |
|                                                                  |                   |                       |                    | <u>2,993.27</u> |
| <b>As at December 31, 2011</b>                                   |                   |                       |                    |                 |
| <b>Assets</b>                                                    |                   |                       |                    |                 |
| India                                                            |                   |                       |                    | 1,387.49        |
| Outside India                                                    |                   |                       |                    | 5.33            |
|                                                                  |                   |                       |                    | <u>1,392.82</u> |
| <b>Capital expenditure (including capital work-in-progress)</b>  |                   |                       |                    |                 |
| India                                                            |                   |                       |                    | 38.12           |
| Outside India                                                    |                   |                       |                    | -               |
|                                                                  |                   |                       |                    | <u>38.12</u>    |

## Notes to the Financial Statements for the year ended December 31, 2012

### 26. Contingent liabilities & commitments

|                                                                                                                          | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>(a) Contingent liabilities</b>                                                                                        |                                                |                                                |
| (1) Excise/sales tax demands made by the authorities, in respect of which appeals have been filed [refer note (a) below] | 22.22                                          | 21.90                                          |
| (2) Claims against the Company not acknowledged as debts estimated at :                                                  |                                                |                                                |
| — In respect of third parties – miscellaneous                                                                            | 1.85                                           | 1.69                                           |
| <b>(A)</b>                                                                                                               | <b>24.07</b>                                   | <b>23.59</b>                                   |
| <b>(b) Commitments</b>                                                                                                   |                                                |                                                |
| (1) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)     | 7.58                                           | 8.86                                           |
| (2) Long-term advertisement contracts                                                                                    | 47.44                                          | 56.32                                          |
| <b>(B)</b>                                                                                                               | <b>55.02</b>                                   | <b>65.18</b>                                   |
| <b>Total (A + B)</b>                                                                                                     | <b>79.09</b>                                   | <b>88.77</b>                                   |

#### Notes:

- (a) The Company has made provisions for known litigation cases and pending assessments in respect of taxes, duties and other levies, the outflow of which would depend on the cessation of the respective events.
- (b) A shareholder of the Company had filed a public interest petition in the Delhi High Court inter alia challenging the allotment of 3,537,862 equity shares on preferential basis to Castrol Limited, U.K. The said petition has been dismissed by the Delhi High Court on January 11, 2005. However, the shareholder has gone to appeal by way of a special leave petition to the Supreme Court of India. The appeal has been admitted but no interim relief has been granted. The matter has to-date not come up for hearing.

### 27. Details of dues to micro and small enterprises as defined under the Micro and Small Enterprise Development (MSMED) Act, 2006\*

|                                                                                                                                                                                                                                                                                                                       | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year                                                                                                                                                                                           |                                                |                                                |
| — Principal amount due to micro and small enterprises                                                                                                                                                                                                                                                                 | 3.95                                           | 4.23                                           |
| — Interest due on above                                                                                                                                                                                                                                                                                               | —                                              | —                                              |
| b. The amount of interest paid by the buyer in terms of Section 16 of the Micro and Small Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.                                                                          | —                                              | —                                              |
| c. 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 Micro and Small Enterprise Development Act, 2006.                                                             | —                                              | —                                              |
| d. The amount of interest accrued and remaining unpaid at the end of each accounting year.                                                                                                                                                                                                                            | —                                              | —                                              |
| e. 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 Micro and Small Enterprise Development Act, 2006. | —                                              | —                                              |

\* The Company has initiated the process of identification of suppliers registered under Micro and Small Enterprise Development Act, 2006, by obtaining confirmations from all suppliers. Information has been collated only to the extent of information received.



## Notes to the Financial Statements for the year ended December 31, 2012

### 28. Capitalisation of expenditure

During the year, the Company has capitalised the following expenses which are attributable to the construction activity in general and included in the cost of fixed asset/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amount capitalised by the Company.

|                                           | <b>For the year ended<br/>December 31, 2012<br/>Rupees in Crores</b> | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|-------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------|
| Salaries, wages and bonus [refer note 18] | 1.67                                                                 | –                                                           |

### 29. Related party disclosures

#### A. Name of the related party and nature of relationship where control exists:

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------|--------------------------------------|----------------------|-------------------------------------|---------------------------------------|--------------------------|----------------------------------------|---------------------------------|---------------------------|------------------------------------------|------------------------------------------|----------------------------------|--------------------------------------|--------------|--------------------------|------------------------------------|--------------------------------------|-----------|-----------------|-----------------------------------------------------------|----------------------------------|-----------------------------------|---------------------------|--------------------------|------------------------------------|---------------|--------------------------------------------------------------|---------------|-----------------------|------------------|---------------------------------------------------|-----------------------|--|
| (a) Holding Companies                                      | Castrol Limited, U.K. (Holding Company of Castrol India Limited)<br>Burmah Castrol PLC (Holding Company of Castrol Limited, U.K.)<br>BP PLC (Holding Company of Burmah Castrol PLC), Ultimate Holding Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| (b) Fellow Subsidiaries<br>(where transaction exists)      | <table> <tbody> <tr> <td>Arabian Production and Marketing Lubricants Company</td> <td>BP Marine Limited</td> </tr> <tr> <td>AsPac Lubricants (Malaysia) Sdn. Bhd</td> <td>BP Mauritius Limited</td> </tr> <tr> <td>BP Asia Pacific (Malaysia) Sdn. Bhd</td> <td>BP Oil International Limited</td> </tr> <tr> <td>BP Australia Pty Limited</td> <td>BP Products North America Inc</td> </tr> <tr> <td>BP – Castrol (Thailand) Limited</td> <td>BP Singapore Pte. Limited</td> </tr> <tr> <td>BP (China) Industrial Lubricants Limited</td> <td>BP Southern Africa (Proprietary) Limited</td> </tr> <tr> <td>BP Corporation North America Inc</td> <td>Burmah Castrol Australia PTY Limited</td> </tr> <tr> <td>BP Europa SE</td> <td>Castrol BP Petco Limited</td> </tr> <tr> <td>BP Europa SE – BP Belgium (Branch)</td> <td>Castrol Industrial North America Inc</td> </tr> <tr> <td>BP France</td> <td>Castrol Limited</td> </tr> <tr> <td>BP France SA Branch Office<br/>(Trading as BP Middle East)</td> <td>Castrol Pakistan Private Limited</td> </tr> <tr> <td>BP India Services Private Limited</td> <td>Castrol Philippines, Inc.</td> </tr> <tr> <td>BP International Limited</td> <td>Castrol (Shenzhen) Company Limited</td> </tr> <tr> <td>BP Italia SpA</td> <td>Castrol (Shenzhen) Company Limited<br/>Shanghai Pudong Branch</td> </tr> <tr> <td>BP Japan K.K.</td> <td>Lubricants UK Limited</td> </tr> <tr> <td>BP Korea Limited</td> <td>Tata BP Solar India Limited (up to<br/>28.06.2012)</td> </tr> <tr> <td>BP Lubricants USA Inc</td> <td></td> </tr> </tbody> </table> | Arabian Production and Marketing Lubricants Company | BP Marine Limited       | AsPac Lubricants (Malaysia) Sdn. Bhd | BP Mauritius Limited | BP Asia Pacific (Malaysia) Sdn. Bhd | BP Oil International Limited          | BP Australia Pty Limited | BP Products North America Inc          | BP – Castrol (Thailand) Limited | BP Singapore Pte. Limited | BP (China) Industrial Lubricants Limited | BP Southern Africa (Proprietary) Limited | BP Corporation North America Inc | Burmah Castrol Australia PTY Limited | BP Europa SE | Castrol BP Petco Limited | BP Europa SE – BP Belgium (Branch) | Castrol Industrial North America Inc | BP France | Castrol Limited | BP France SA Branch Office<br>(Trading as BP Middle East) | Castrol Pakistan Private Limited | BP India Services Private Limited | Castrol Philippines, Inc. | BP International Limited | Castrol (Shenzhen) Company Limited | BP Italia SpA | Castrol (Shenzhen) Company Limited<br>Shanghai Pudong Branch | BP Japan K.K. | Lubricants UK Limited | BP Korea Limited | Tata BP Solar India Limited (up to<br>28.06.2012) | BP Lubricants USA Inc |  |
| Arabian Production and Marketing Lubricants Company        | BP Marine Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| AsPac Lubricants (Malaysia) Sdn. Bhd                       | BP Mauritius Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Asia Pacific (Malaysia) Sdn. Bhd                        | BP Oil International Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Australia Pty Limited                                   | BP Products North America Inc                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP – Castrol (Thailand) Limited                            | BP Singapore Pte. Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP (China) Industrial Lubricants Limited                   | BP Southern Africa (Proprietary) Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Corporation North America Inc                           | Burmah Castrol Australia PTY Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Europa SE                                               | Castrol BP Petco Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Europa SE – BP Belgium (Branch)                         | Castrol Industrial North America Inc                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP France                                                  | Castrol Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP France SA Branch Office<br>(Trading as BP Middle East)  | Castrol Pakistan Private Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP India Services Private Limited                          | Castrol Philippines, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP International Limited                                   | Castrol (Shenzhen) Company Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Italia SpA                                              | Castrol (Shenzhen) Company Limited<br>Shanghai Pudong Branch                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Japan K.K.                                              | Lubricants UK Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Korea Limited                                           | Tata BP Solar India Limited (up to<br>28.06.2012)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| BP Lubricants USA Inc                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| (c) Associates<br>(where transaction exists)               | Castrol India Ltd. Employees' Provident Fund<br>Castrol India Ltd. Staff Pension Fund<br>Castrol India Ltd. Employees' Gratuity Fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| (d) Key management personnel<br>(where transaction exists) | <table> <tbody> <tr> <td>R. Kirpalani</td> <td>Chief Operating Officer</td> </tr> <tr> <td>S. Vaidya</td> <td>Executive Director</td> </tr> <tr> <td>S. Malekar</td> <td>Executive Director (up to 31.10.2012)</td> </tr> <tr> <td>B. Kamath</td> <td>Executive Director (w.e.f. 01.11.2012)</td> </tr> </tbody> </table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | R. Kirpalani                                        | Chief Operating Officer | S. Vaidya                            | Executive Director   | S. Malekar                          | Executive Director (up to 31.10.2012) | B. Kamath                | Executive Director (w.e.f. 01.11.2012) |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| R. Kirpalani                                               | Chief Operating Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| S. Vaidya                                                  | Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| S. Malekar                                                 | Executive Director (up to 31.10.2012)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |
| B. Kamath                                                  | Executive Director (w.e.f. 01.11.2012)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                     |                         |                                      |                      |                                     |                                       |                          |                                        |                                 |                           |                                          |                                          |                                  |                                      |              |                          |                                    |                                      |           |                 |                                                           |                                  |                                   |                           |                          |                                    |               |                                                              |               |                       |                  |                                                   |                       |  |

## Notes to the Financial Statements for the year ended December 31, 2012

## 29. Related party disclosures (contd.)

## B. Transactions with related parties as per the books of account

|                                                            | Nature of Relationship | For the year ended December 31, 2012<br>Rupees in Crores | For the year ended December 31, 2011<br>Rupees in Crores |
|------------------------------------------------------------|------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>Purchase of materials/finished goods</b>                |                        |                                                          |                                                          |
| BP Europa SE                                               | Fellow subsidiary      | 26.23                                                    | 21.72                                                    |
| Castrol Industrial North America Inc                       | Fellow subsidiary      | 12.54                                                    | 15.08                                                    |
| BP France                                                  | Fellow subsidiary      | 9.52                                                     | 6.56                                                     |
| BP Oil International Limited                               | Fellow subsidiary      | –                                                        | 10.35                                                    |
| Others                                                     | Fellow subsidiaries    | 12.98                                                    | 6.98                                                     |
| <b>Total</b>                                               |                        | <b>61.27</b>                                             | <b>60.69</b>                                             |
| <b>Sale of goods &amp; related expenses</b>                |                        |                                                          |                                                          |
| BP (China) Industrial Lubricants Limited                   | Fellow subsidiary      | 0.51                                                     | 1.54                                                     |
| BP – Castrol (Thailand) Limited                            | Fellow subsidiary      | 0.51                                                     | 0.39                                                     |
| Castrol (Shenzhen) Company Limited                         | Fellow subsidiary      | 0.01                                                     | 1.23                                                     |
| Others                                                     | Fellow subsidiaries    | 0.01                                                     | 0.38                                                     |
| <b>Total</b>                                               |                        | <b>1.04</b>                                              | <b>3.54</b>                                              |
| <b>Receiving of services</b>                               |                        |                                                          |                                                          |
| BP Corporation North America Inc                           | Fellow subsidiary      | 4.35                                                     | 0.43                                                     |
| BP International Limited                                   | Fellow subsidiary      | 0.74                                                     | 0.75                                                     |
| Lubricants UK Limited                                      | Fellow subsidiary      | 7.48                                                     | 1.95                                                     |
| BP Singapore Pte. Limited                                  | Fellow subsidiary      | 1.61                                                     | 0.37                                                     |
| Others                                                     | Fellow subsidiaries    | 1.00                                                     | –                                                        |
| <b>Total</b>                                               |                        | <b>15.18</b>                                             | <b>3.50</b>                                              |
| <b>Rendering of services &amp; deputation of employees</b> |                        |                                                          |                                                          |
| Castrol Limited, U.K.                                      | Holding company        | 2.59                                                     | –                                                        |
| BP India Services Private Limited                          | Fellow subsidiary      | 8.35                                                     | 7.26                                                     |
| Lubricants UK Limited                                      | Fellow subsidiary      | 1.53                                                     | 1.94                                                     |
| Others                                                     | Fellow subsidiaries    | 1.54                                                     | 1.54                                                     |
| <b>Total</b>                                               |                        | <b>14.01</b>                                             | <b>10.74</b>                                             |
| <b>Commission income</b>                                   |                        |                                                          |                                                          |
| BP Marine Limited                                          | Fellow subsidiary      | 5.20                                                     | 7.35                                                     |
| <b>Total</b>                                               |                        | <b>5.20</b>                                              | <b>7.35</b>                                              |
| <b>Contribution to funds</b>                               |                        |                                                          |                                                          |
| Castrol India Ltd. Employees' Provident Fund               | Associate              | 2.26                                                     | 2.43                                                     |
| Castrol India Ltd. Staff Pension Fund                      | Associate              | 3.88                                                     | 4.14                                                     |
| Castrol India Ltd. Employees' Gratuity Fund                | Associate              | 3.50                                                     | 3.19                                                     |
| <b>Total</b>                                               |                        | <b>9.64</b>                                              | <b>9.76</b>                                              |
| <b>Dividend</b>                                            |                        |                                                          |                                                          |
| Castrol Limited, U.K.                                      | Holding company        | 245.52                                                   | 263.06                                                   |
| Others                                                     | Fellow subsidiaries    | 0.38                                                     | 0.41                                                     |
| <b>Total</b>                                               |                        | <b>245.90</b>                                            | <b>263.47</b>                                            |

## Notes to the Financial Statements for the year ended December 31, 2012

### 29. Related party disclosures (contd.)

#### B. Transactions with related parties as per the books of account (contd.)

|                                                | Nature of Relationship   | For the year ended December 31, 2012<br>Rupees in Crores | For the year ended December 31, 2011<br>Rupees in Crores |
|------------------------------------------------|--------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>Royalty expense</b>                         |                          |                                                          |                                                          |
| Castrol Limited, U.K.                          | Holding company          | 66.22                                                    | 73.31                                                    |
|                                                | <b>Total</b>             | <u>66.22</u>                                             | <u>73.31</u>                                             |
| <b>Recovery of loan &amp; interest thereon</b> |                          |                                                          |                                                          |
| Ravi Kirpalani                                 | Key management personnel | 0.01                                                     | 0.01                                                     |
|                                                | <b>Total</b>             | <u>0.01</u>                                              | <u>0.01</u>                                              |
| <b>Balance as at year ended</b>                |                          |                                                          |                                                          |
|                                                | Nature of Relationship   | As at December 31, 2012<br>Rupees in Crores              | As at December 31, 2011<br>Rupees in Crores              |
| <b>Amounts payable</b>                         |                          |                                                          |                                                          |
| Castrol Limited, U.K.                          | Holding company          | 183.86                                                   | 208.61                                                   |
| Others                                         | Fellow subsidiaries      | 26.58                                                    | 11.76                                                    |
|                                                | <b>Total</b>             | <u>210.44</u>                                            | <u>220.37</u>                                            |
| <b>Amounts receivable</b>                      |                          |                                                          |                                                          |
| BP India Services Private Limited              | Fellow subsidiary        | 0.93                                                     | 0.94                                                     |
| BP Marine Limited                              | Fellow subsidiary        | 0.80                                                     | 2.43                                                     |
| Lubricants UK Limited                          | Fellow subsidiary        | 0.89                                                     | 1.42                                                     |
| Others                                         | Fellow subsidiaries      | 1.15                                                     | 1.47                                                     |
|                                                | <b>Total</b>             | <u>3.77</u>                                              | <u>6.26</u>                                              |
| <b>Remuneration to executive directors</b>     |                          |                                                          |                                                          |
| S. Malekar (up to 31.10.2012)                  | Key management personnel | 1.09                                                     | 1.22                                                     |
| R. Kirpalani                                   | Key management personnel | 1.57                                                     | 1.99                                                     |
| S. Vaidya                                      | Key management personnel | 1.50                                                     | 1.59                                                     |
| B. Kamath (w.e.f. 01.11.2012)                  | Key management personnel | 0.29                                                     | -                                                        |
|                                                | <b>Total</b>             | <u>4.45</u>                                              | <u>4.80</u>                                              |
| <b>Loan outstanding</b>                        |                          |                                                          |                                                          |
| R. Kirpalani                                   | Key management personnel | 0.14                                                     | 0.15                                                     |
|                                                | <b>Total</b>             | <u>0.14</u>                                              | <u>0.15</u>                                              |

## Notes to the Financial Statements for the year ended December 31, 2012

### 30. Foreign currency exposures which are not hedged as at the Balance Sheet date

| Particulars                           | Foreign Currency |              |            |          |           |
|---------------------------------------|------------------|--------------|------------|----------|-----------|
|                                       | USD              | EURO         | GBP        | SGD      | AUD       |
| <b><u>December 31, 2012</u></b>       |                  |              |            |          |           |
| Trade payables – Foreign currency     | 18,200,690.82    | 1,127,063.16 | 344,250.61 | 8,834.70 | –         |
| Trade payables – Rs. in crores        | 99.70            | 8.16         | 3.05       | 0.04     | –         |
| Trade receivables – Foreign currency  | 866,347.14       | –            | 21,346.80  | –        | –         |
| Trade receivables – Rs. in crores     | 4.75             | –            | 0.19       | –        | –         |
| Loans and advances – Foreign currency | 1,211,606.63     | –            | –          | –        | –         |
| Loans and advances – Rs. in crores    | 6.64             | –            | –          | –        | –         |
| <b><u>December 31, 2011</u></b>       |                  |              |            |          |           |
| Trade payables – Foreign currency     | 11,164,154.00    | 1,716,362.00 | 23,532.00  | 6,692.00 | 24,174.00 |
| Trade payables – Rs. in crores        | 59.46            | 11.79        | 0.21       | 0.03     | 0.13      |
| Trade receivables – Foreign currency  | 835,852.00       | –            | –          | –        | –         |
| Trade receivables – Rs. in crores     | 4.44             | –            | –          | –        | –         |
| Loans and advances – Foreign currency | 690,589.00       | –            | –          | –        | –         |
| Loans and advances – Rs. in crores    | 3.68             | –            | –          | –        | –         |

### 31. C.I.F. value of imports

|               | <b>For the year ended<br/>December 31, 2012<br/>Rupees in Crores</b> | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|---------------|----------------------------------------------------------------------|-------------------------------------------------------------|
| Raw materials | 773.19                                                               | 777.67                                                      |
| Capital goods | 5.83                                                                 | 6.58                                                        |

### 32. Expenditure in foreign currency (on accrual basis)

|                                                                                          | <b>For the year ended<br/>December 31, 2012<br/>Rupees in Crores</b> | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------|
| Traveling expenses                                                                       | 0.39                                                                 | 1.25                                                        |
| Imports of goods for resale                                                              | 60.84                                                                | 43.72                                                       |
| Royalty (gross) [tax deducted at source <b>Rs. 5.12 crores</b> (2011 : Rs. 5.99 crores)] | 66.22                                                                | 73.31                                                       |
| Advertisement and sales promotion                                                        | 15.35                                                                | 6.56                                                        |
| Others (net of tax where applicable)                                                     | 8.00                                                                 | 7.42                                                        |

### 33. Earnings in foreign currency (on accrual basis)

|                             | <b>For the year ended<br/>December 31, 2012<br/>Rupees in Crores</b> | For the year ended<br>December 31, 2011<br>Rupees in Crores |
|-----------------------------|----------------------------------------------------------------------|-------------------------------------------------------------|
| Supplies to foreign vessels | 9.84                                                                 | 13.32                                                       |
| Commission                  | 5.21                                                                 | 7.35                                                        |
| FOB value of goods exported | 4.81                                                                 | 4.91                                                        |
| Energy supplies             | 1.22                                                                 | –                                                           |

## Notes to the Financial Statements for the year ended December 31, 2012

### 34. Imported and Indigenous raw materials, packing materials, components and spare parts consumed

|                         | For the year ended<br>December 31, 2012 |               | For the year ended<br>December 31, 2011 |               |
|-------------------------|-----------------------------------------|---------------|-----------------------------------------|---------------|
|                         | Rupees<br>in Crores                     | % of Total    | Rupees<br>in Crores                     | % of Total    |
| <b>Imported:</b>        |                                         |               |                                         |               |
| Base oil                | 706.46                                  | 41.82         | 715.57                                  | 44.84         |
| Additives and chemicals | 212.94                                  | 12.60         | 167.17                                  | 10.48         |
| <b>Indigenous:</b>      |                                         |               |                                         |               |
| Base oil                | 362.31                                  | 21.45         | 327.69                                  | 20.54         |
| Additives and chemicals | 232.84                                  | 13.78         | 228.72                                  | 14.34         |
| Packages                | 174.89                                  | 10.35         | 156.33                                  | 9.80          |
|                         | <u>1,689.44</u>                         | <u>100.00</u> | <u>1,595.48</u>                         | <u>100.00</u> |

### 35. Details of dividend remitted during the year, to Two (2011 – Two) non-resident shareholders are as follows:

| Dividend in respect<br>of the year ended | No. of Shares | As at<br>December 31, 2012<br>Rupees in Crores | As at<br>December 31, 2011<br>Rupees in Crores |
|------------------------------------------|---------------|------------------------------------------------|------------------------------------------------|
| 31-12-2011 (Final)                       | 175,645,858   | 140.52                                         | –                                              |
| 31-12-2012 (Interim)                     | 175,645,858   | 122.95                                         | –                                              |
| 31-12-2010 (Final)                       | 175,645,858   | –                                              | 140.52                                         |
| 31-12-2011 (Interim)                     | 175,645,858   | –                                              | 122.95                                         |

### 36. Previous year figures

Till the year ended December 31, 2011, the Company was using pre-revised Schedule VI to the Companies Act, 1956 for preparation and presentation of its financial statements. During the year ended December 31, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

As per our report of even date  
For S. R. BATLIBOI & CO.  
Chartered Accountants  
Firm Registration no : 301003E

per RAVI BANSAL  
Partner  
Membership No. : 49365

Place: Mumbai  
February 27, 2013

For and on behalf of Board of Directors

S. M. DATTA Chairman R. KIRPALANI Chief Operating Officer

Executive Directors

S. VAIDYA B. KAMATH

Non-Executive Directors

R. GOPALAKRISHNAN U. KHANNA  
R. HEWINS P. WEIDNER  
S. MUKUNDAN





**FORM A**

**Format of covering letter of the annual audit report to be filed with the stock exchanges**

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Name of the Company:                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Castrol India Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 2. | Annual financial statements for the year ended                                                                                                                                                                                                                                                                                                                                                                                                                                 | 31st December, 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3. | Type of Audit observation                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Un-qualified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4. | Frequency of observation                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 5. | <p><i>S. R. Batliboi &amp; Co. 22B</i><br/>                     For S R Batliboi &amp; Co. LLP<br/>                     Firm Registration Number 301003E<br/>                     Chartered Accountants</p> <p><i>Ravi Bansal</i><br/>                     per Ravi Bansal<br/>                     Partner<br/>                     Membership Number 49365<br/>                     Statutory Auditor</p> <p>Place: Mumbai<br/>                     Date: April 25, 2013</p> | <p><i>R Kirpalani</i><br/>                     .....<br/>                     Mr. R. Kirpalani<br/>                     Director – Automotive &amp;<br/>                     Chief Operating Officer</p> <p><i>S. Vaidya</i><br/>                     .....<br/>                     Mr. S. Vaidya<br/>                     Director - Finance</p> <p><i>U. Khanna</i><br/>                     .....<br/>                     Mr. U. Khanna<br/>                     Audit Committee<br/>                     Chairman<br/>                     Place: Mumbai<br/>                     Date: April 25, 2013</p> |

*A*